ANNUAL REPORT

1996

July 1, 1995 to June 30, 1996

CITY OF LOS ANGELES DEPARTMENT OF PENSIONS

FIRE AND POLICE PENSION SYSTEMS

Department of Pensions

360 East Second Street ■ Suite 600 ■ Los Angeles ■ California ■ 90012

1996 Annual Report

July 1, 1995 to June 30, 1996

Gary Mattingly
General Manager

Allan Moore
Assistant Manager, Fiscal

Royce Menkus
Assistant Manager, Benefits

Eudon Ferrell
Assistant City Attorney

Tom Lopez
Chief Investment Officer

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MAYOR
Richard J. Riordan

City Attorney	Controller
James Kenneth Hahn	Rick Tuttle

CITY COUNCIL

John Ferraro, *President*
Joel Wachs, *President Pro Tempore*

Mike Hernandez First District	**Joel Wachs** Second District	**Laura Chick** Third District
John Ferraro Fourth District	**Michael Feuer** Fifth District	**Ruth Galanter** Sixth District
Richard Alarcon Seventh District	**Mark Ridley-Thomas** Eighth District	**Rita Walters** Ninth District
Nate Holden Tenth District	**Marvin Braude** Eleventh District	**Hal Bernson** Twelfth District
Jackie Goldberg Thirteenth District	**Richard Alatorre** Fourteenth District	**Rudy Svorinich, Jr.** Fifteenth District

BOARD OF PENSION COMMISSIONERS

Rockwell A. Schnabel, President, Resigned 2-22-96
Nicholas H. Stonnington, President

Gay L. Harwin Vice President	**Louis F. Moret** Commissioner
Sam Diannitto Commissioner	**Steven J. Silberman** Commissioner
David H. Kim Commissioner	**Fredrick A. Tredy** Commissioner

DEPARTMENT OF PENSIONS
360 EAST SECOND STREET
SUITE 600
LOS ANGELES, CA 90012-4203
(213) 485-2833
GARY MATTINGLY
GENERAL MANAGER

CITY OF LOS ANGELES

CALIFORNIA

RICHARD J. RIORDAN
MAYOR

ALLAN E. MOORE
ASSISTANT GENERAL MANAGER-FISCAL
ROYCE A. MENKUS
ASSISTANT GENERAL MANAGER-BENEFITS
TOM LOPEZ
CHIEF INVESTMENT OFFICER

June 30, 1996

The Honorable Richard J. Riordan, Mayor
Honorable Members of the City Council

In accordance with Section 64 of the Los Angeles City Charter, I am submitting the Annual Report of the Department of Pensions for the fiscal year ended June 30, 1996.

The Investment Program earned $1.014 billion, reflecting a rate of return of 14.2%. The Fund's total assets grew to $7.344 billion. The Department continues to progress toward implementation and funding of the alternative investments asset class which became part of the fund's investment strategy in 1995. The covered call option program was terminated during this report period due to long term under-performance.

The concept of a fiduciary audit was approved and it is anticipated that during the next fiscal year a contract will be awarded to review investment and financial policies, procedures and performance; administrative processes; current actuarial assumptions and valuation methods; and legal authority and processes.

The Rules of the Board of Pension Commissioners were revised to reflect modifications in law and in Board policy and practice.

The System experienced a 5.7% growth in active membership, bringing the total to 11,950 while pensioners currently number 11,049, a 0.6% increase. The average monthly benefit paid to pensioners rose to $2,732, a 1.9% increase over the previous fiscal year.

The Pension System experienced a reduction in the unfunded liability by $582.9 million. Consequently, the funded status improved with an 11.6% increase for pension benefits and 56% increase for health subsidy benefits. The current funding status is 76% for pension benefits and 43% for health subsidy benefits.

This annual report includes the Fund's financial statements audited by Independent Auditors and the actuarial valuation summary prepared by the Fund's Actuary.

Respectfully submitted,

GARY MATTINGLY
General Manager

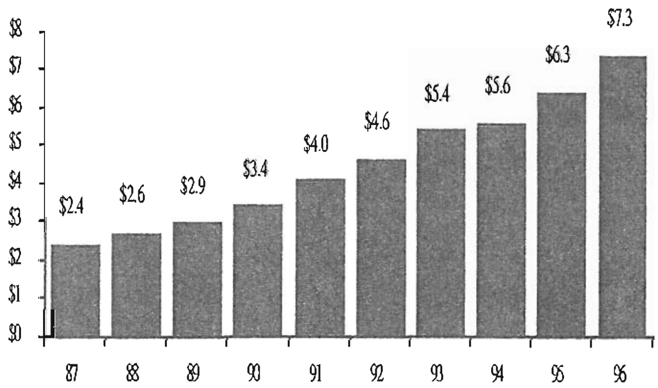
System Investments

Summary of Investment Activities

Introduction

During the past five years, the System's assets have grown from $4.035 billion to $7.344 billion. The investment program produced a gain of $1.014 billion for the year ending June 30, 1996.

MARKET VALUE GROWTH OF SYSTEM ASSETS (In Billions)



Investment Environment

The bond market (*Salomon Bros. Broad Investment Grade Index*) produced a positive return of 4.98 percent for the year ending June 30, 1996. Large capitalization stocks (*S&P 500*) achieved an outstanding 26.06 percent return. Small stocks (*NASDAQ Composite*) returned an even larger 27.52 percent. International stocks (*Morgan Stanley EAFE*) returned about half the domestic indeces, at 13.27 percent. Real Estate, as measured by the Russell-National Council of Real Estate Investment Fiduciaries Index (*NCREIF*) continued to recover from the real estate recession with a 9.5 percent return.

Investment Performance

The investment objectives of the System, over a full market cycle (usually 3 to 5 years), are a return of at least two percent above the consumer price index per year and above median investment performance for public funds.

For the past five years, the System's annualized return of 12.37 percent was more than triple the inflation measure increase of 2.87 percent. For the one year period, the System's overall investment performance was up 14.56 percent and outpaced the Consumer Price Index increase of 2.72 percent.

The System's performance was near median compared with other public funds (Trust Universe Comparison Service [TUCS]) over the past three to five years, ranging between the 67th and 38th percentiles. For this past year, the System returned 14.5 percent (82nd percentile) versus the public fund median of 16.7 percent. Most public funds have a higher commitment to bonds and a lower commitment to stocks. Our relatively below median performance this year is mainly attributable to the under-performance of the System's covered call option program, which the Board terminated in November 1995.

Asset Allocation Decisions

Our asset allocation plan establishes the blueprint for investing the System's assets in stocks, bonds, real estate and cash equivalents over a three to five year period. This plan is the single most important factor in managing risk and achieving superior investment performance in the long term.

The Board adopted new asset class targets in June 1995, which are as follows:

Domestic Equity	47%
(U.S. Small Caps = 20% of Domestic Equity)	
International Equity	9%
Domestic Bonds	27%
High Yield Bonds	5%
Real Estate	8%
Alternative Investments	3%
Emerging Markets	1%
Cash Equivalents	0%

The actual asset class percentages of the System will vary from target allocations due to inflows (such as City and member contributions), outflows (such as pension payments) and the movements of the securities markets. Assets are periodically rebalanced to adjust for these movements.

As of June 30, 1996, the asset values were as follows:

ASSET CLASS	MARKET VALUE (In millions)
Domestic Equity	$3,079.1
U.S. Small Capitalization Stocks	643.3
International Equity	622.7
Domestic Bonds	1,803.1
High Yield Bonds	310.6
Real Estate	502.0
Alternative Investments	3.4
Cash Equivalents	380.1
Total	$7,344.3

Investment Activities

For the past eight years, the Board has implemented its Asset Allocation Plan. Under the current plan, the Board has continued to make portfolio advisory changes and other actions which are intended to increase the performance of the Fund. The major portfolio advisory activities for the year included the termination of the remaining options overwriting manager and the hiring of two new alternative investments managers. Administrative actions included the rehiring of three international managers; the rehiring of one emerging equity and two emerging bond managers; the rehiring of the master trust custodial bank; the rehiring of three separate account real estate managers; the rehiring of one core equity and two core bond managers; the rehiring of the real estate consultant; and the rehiring of the equity index fund manager.

Most of the System's assets are managed by investment managers who try to outperform a market index. The System has one large equity account that is a Standard and Poors 500 Index fund whose performance matches that Index. A list of our managers is at the end of this section.

The real estate acquisition program proceeded with the purchase of three industrial warehouses in Garland, just north of Dallas, Texas. An office portfolio consisting of three buildings was purchased in West Omaha, Nebraska, as well as a shopping center in Brookfield, just east of Danbury, Connecticut. The Board also added one office building to the five existing structures in the Orchard Place complex in south east suburban Denver.

The Board reallocated the TCW Special Credits Fund VI from real estate to alternative investments. Although this fund is exclusively invested in real estate equity and debt securities, the Board believes the risk and return characteristics more closely resemble an alternative investment profile.

The Board purchased a participation in OCM Real Estate Opportunities Fund A, L.P., in December. This is a distressed mortgages and real estate fund with a three year investment period before liquidation, and is similar to TCW Special Credits Fund VI in its investment mandate. The Board assigned this investment to the alternative investments allocation.

Proxy Voting

The System votes all domestic and available international proxy solicitations. Staff voted 540 corporations' proxies and corporate consents in Fiscal Year 1995-96. The international advisors voted 256 proxies. The System votes affirmatively on preemptive rights, cumulative voting, and confidential voting. The System opposes anti-takeover measures and generally abstains on issues of a social, political, or environmental nature that have no expected economic impact on the System's assets. The System votes affirmatively on executive compensation bonus plans if the corporation's stock performance in the past year has exceeded the returns of both the Standard & Poors 500 Index and an appropriate peer group index.

Another corporate governance amendment supports the nomination of and affirmative vote for the appointment of independent directors to the Board of Directors. The System also directs affirmative vote on measures to place independent directors on compensation committees.

CHANGE IN ASSET MIX: LAST TEN YEARS

Fiscal Year	Stocks	Bonds	Real Estate	Short Term Investments
1986-87	55.0%	33.0%	--	12.0%
1987-88	53.0%	35.0%	2.0%	10.0%
1988-89	59.8%	32.7%	1.8%	5.7%
1989-90	52.4%	31.8%	5.9%	9.9%
1990-91	52.0%	32.7%	6.1%	9.2%
1991-92	51.7%	32.2%	5.6%	10.4%
1992-93	59.0%	26.4%	3.2%	11.4%
1993-94	58.6%	24.6%	5.8%	11.0%
1994-95	59.5%	27.9%	6.3%	6.3%
1995-96	59.2%	29.3%	6.9%	4.6%

ANNUAL RATES OF RETURN

Fiscal Year	Stocks	Bonds	Real Estate	Total Fund*	CPI**
1986-87	23.7%	5.7%		14.2%	3.7%
1987-88	-5.3%	6.9%		0.3%	3.9%
1988-89	20.5%	12.5%	8.7%	16.0%	3.7%
1989-90	14.9%	5.5%	7.4%	10.5%	4.7%
1990-91	5.2%	10.5%	-3.0%	4.8%	4.3%
1991-92	15.2%	17.6%	-3.1%	14.0%	3.1%
1992-93	18.7%	17.7%	-15.3%	16.0%	2.8%
1993-94	2.7%	0.7%	9.4%	3.5%	2.5%
1994-95	25.6%	14.3%	14.5%	14.5%	3.0%
1995-96	25.3%	7.8%	9.5%	14.6%	2.7%

**Total fund includes short-term investments*
***CPI is for the U.S. ending June 30th*

Investment Advisors

STOCK MANAGERS

Alliance Capital Management

Amerindo Investment Advisors

Brown Capital Management

Cardinal Advisors

CIC Asset Management

Delta Asset Management

Frontier Capital Management

Loomis Sayles & Company, L.P.

Target Investors, Inc.

BOND MANAGERS

The Boston Company Institutional Advisors

GEM Capital Management

HCM Capital Management

Lincoln Capital Management

Loomis Sayles & Company, L.P.

Magten Asset Management Corporation

Smith, Graham & Company

INTERNATIONAL STOCK MANAGERS

Clay Finlay, Inc.

Nomura Capital Management, Inc.

Oechsle International Advisors, Ltd.

REAL ESTATE MANAGERS

G.E. Capital Investment Advisors

Copley Real Estate Advisors

Equitable Real Estate

Heitman/JMB Advisory Corporation

Lowe Enterprises Investment Management

Prudential Asset Management Company

Public Storage Institutional

RREEF

Sentinel Real Estate Corporation

ALTERNATIVE INVESTMENT MANAGERS

Oaktree Capital Management

Trust Company of the West

Actuarial Valuation

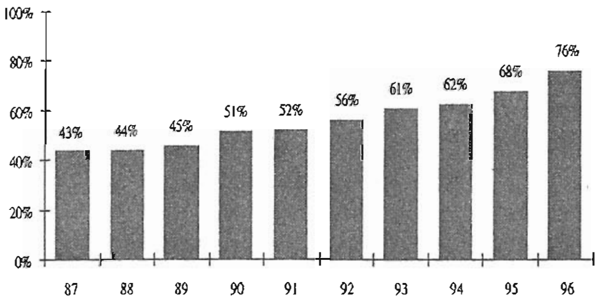
Actuarial Valuation Summary

Actuarial Valuations

Two actuarial valuations of the assets and liabilities of pension benefits are conducted annually. One study examines the pension benefits paid to members and their beneficiaries, the other study examines the health subsidies allocated to qualifying members. These studies evaluate the funding progress of the system and determine the annual contribution requirements.

The funded status of the pension system is examined over a span of several years to determine if funding progress is made. Satisfactory funding progress has occurred over the past ten years.

FUNDED STATUS (Pension Benefits)



How a Valuation is Conducted

The actuarial funding method used (Entry Age Normal Cost) is required by the Charter under Articles XVII (Sec. 186.2), XVIII (Sec. 190.09), and XXXV (Sec. 528). An actuarial valuation examines the membership of the pension system as currently constituted, then projects future liabilities using various assumptions.

Non-economic actuarial assumptions on mortality of members and spouses, probability of service retirement and disability, probability of termination prior to retirement, and probability of having a surviving beneficiary are created from studies made of the actual experience of the membership of the System. A new study is conducted not less than once every five years.

These assumptions are recommended by an actuary and adopted by the Board of Pension Commissioners. The last study was adopted by the Board in November 1995. The next experience study will be conducted in late 1998. An example of projected mortality is as follows:

Average Life Expectancy for Pensioners

Service Pensioner (Average Age = 65) .... 17.3 years
Disabled Pensioner (Average Age = 58) .... 19.7 years
Survivor (Average Age = 72) .... 15.9 years

Economic assumptions are also studied, recommended by the actuary, and adopted by the Board. Economic assumptions in effect for this valuation period are:

Economic Assumptions

Annual Increase in the Consumer Price Index 5.5%**
Annual Individual Salary Increase .... varies by age

Age	Annual Salary Increase
Under 25	10.00%
25-29	9.00%
30-34	8.00%
35-39	7.00%
40-44	6.00%
45-49	5.75%
50 and over	5.50%

Annual Increases in Total System Payroll 5.5%
Annual Interest 8.5%
*(**Article XXXV is capped at 3%)*

Pension Benefit Balance Sheet

Cost of living and individual salary assumptions are used to project the dollar amount of benefits to be paid. The total liability is then reduced to today's dollar terms using the interest assumption.

Once the liabilities of the system are computed, the valuation study projects the member contributions expected to be received, which are reduced to today's dollar terms using the interest assumption. The individual salary assumptions are used to project the total member contributions. The Entry Age Normal Cost contribution, the amount the City would contribute for a hypothetical new entrant into the system, is calculated. This amount would theoretically be sufficient to fully fund a member's retirement on the date of retirement if all assumptions were realized and no benefit changes were made.

These potential future contributions are considered assets of the system, along with assets currently being invested by the Department of Pensions. For purposes of determining the contributions to the System, the current assets are now valued using a method that phases in, over five years, the unrealized and realized appreciation above that which is expected based upon the assumed rate of return.

As can be seen on the Actuarial Pension Benefit Balance Sheet (see p. 12), the balance of $2.227 billion is considered the unfunded actuarial liability.

Unfunded Actuarial Liability

An unfunded actuarial liability can result from many variables. Often, benefit increases are credited to members while in the middle of their career, or even after they have retired. Since these benefit enhancements did not exist when the funding of the members' benefits began, contributions to fund these increased benefits were not made during all or part of the members' working career. An example of a benefit enhancement that occurred was the lifting of a 2% cap on cost-of-living increases. This applied to all members, active and retired, and created an immediate unfunded liability. The Milestones section of this report contains more examples of benefit changes.

The Entry Age Normal Cost actuarial method normally results in actuarial gains or losses, unless all actuarial assumptions are met each year. These actuarial gains or losses also result in decreases or increases in the unfunded actuarial liability.

Occasionally, the actuarial methodology itself is refined according to accepted actuarial practice. For example, salary increases were not utilized in the computations until the late 1970s. When this practice was included, it created an additional unfunded liability.

Finally, during a period in the history of the Pension System, the funding was on a pay-as-you-go basis, instead of an actuarial basis. When the system shifted to an actuarial basis, an immediate unfunded liability resulted.

Contribution Requirements Calculation

The contribution is comprised of two parts: (1) the Entry Age Normal Cost contribution and (2) the contribution to amortize the unfunded liability. The unfunded liability is amortized over a time period using a methodology prescribed in the Charter for each plan. The amortization period for Articles XVII and XVIII is scheduled to end on June 30, 2037.

Article XVII is amortized as a level dollar amount. Article XVIII is amortized as a level percent of all system members' (Articles XVII, XVIII, and XXXV combined) salaries. Article XXXV's amortization basis is a level percentage of plan members' salaries over a continuous fifteen year cycle. Each year's actuarial gain or loss is amortized for fifteen years. Any gains or losses resulting from benefit changes are amortized over a thirty year period. Changes in the unfunded actuarial liability resulting from benefit changes are amortized over a thirty-year period. With this information, the actuary computes the contribution requirements for the City.

Entry Age Normal Cost Contribution Requirements
Recommended 1997-1998

(As a percentage of plan members' salaries)

Article XVII	20.785%
Article XVIII	29.096%
Article XXXV	14.461%

Unfunded Liability Contribution Requirements
Recommended 1997-1998

Article XVII	$34,164,638
Article XVIII	11.800% of all system members' salaries
Article XXXV	(1.606%) of all Art XXXV members' salaries

Health Subsidy Valuation

The health valuation study utilizes the same actuarial assumptions as the study on pension benefits, with the addition of a medical inflation assumption. Currently, medical costs are increasing at a faster pace than inflation. In the June 1996 actuarial valuation, increases of 9.0% for pre-65 premiums and 8.5% for post-65 premiums were assumed. These rates will decrease until the rate of 6.5% is reached in 2007 and beyond. Using the same actuarial methods for pension benefits, the Actuarial Balance Sheet for health subsidy benefits is shown on page 12.

The contributions suggested to fund the health subsidy plan are:

Entry Age Normal Cost Contribution Requirements
Recommended 1997-1998

(As a percentage of plan members' salaries)

Article XVII	0.372%
Article XVIII	1.452%
Article XXXV	2.857%

Unfunded Liability Contribution Requirements
Recommended 1997-1998

Article XVII	$800,729
Article XVIII	2.114% of all system members' salaries
Article XXXV	(0.523%) of Art XXXV members' salaries

Valuation of Pension Benefits
Actuarial Balance Sheet As of June 30, 1996

ASSETS

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets	$ 9,326,370	$5,691,699,680	$ 857,770,716	$6,558,796,766
2. Present Value of Future Member Contributions	5,719	85,246,478	411,135,197	496,387,394
3. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	305,560	442,666,290	800,069,306	1,243,041,157
b. Unfunded Actuarial Accrued Liability	387,761,413	1,952,280,669	(112,663,076)	2,227,379,005
4. Total Assets	**$397,399,062**	**$8,171,893,117**	**$1,956,312,143**	**$10,525,604,322**

LIABILITIES

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
5. Present Value of Benefits Already Granted				
a. Service Retirements	$ 107,019,133	$3,532,520,794	$ 5,979,566	$3,645,519,493
b. Disability Retirements	104,323,190	1,161,075,631	29,201,309	1,294,600,130
c. Survivors and Dependents	182,142,619	486,597,525	10,512,874	679,253,018
d. Total	$ 393,484,942	$5,180,193,950	$ 45,693,749	$5,619,372,641
6. Present Value of Benefits to be Granted				
a. Service Retirements	$ 3,388,472	$2,427,180,723	$1,390,642,749	$3,821,211,944
b. Disability Retirements	507,105	540,444,083	429,820,668	970,771,856
c. Survivors and Dependents	18,060	22,518,815	46,491,752	69,028,627
d. Total	$ 3,913,637	$2,990,143,621	$1,866,955,169	$4,861,012,427
7. Refund of Employee Contributions	$ 483	$ 1,555,546	$ 43,663,225	$ 45,219,254
8. Total Liabilities	**$ 397,399,062**	**$8,171,893,117**	**$1,956,312,143**	**$10,525,604,322**

Valuation of Health Subsidy Benefits
Actuarial Balance Sheet As of June 30, 1996

ASSETS

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets	$ 5,539,081	$140,390,370	$ 102,299,458	$248,228,909
2. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	3,398	19,420,649	135,436,389	154,860,436
b. Unfunded Actuarial Accrued Liability	9,088,100	349,716,277	(15,255,441)	343,548,936
3. Total Assets	**$ 14,630,579**	**$509,527,296**	**$222,480,406**	**$746,638,281**

LIABILITIES

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
4. Present Value of Benefits Already Granted	$14,318,617	$301,996,161	$ 1,746,700	$318,061,478
5. Present Value of Benefits to be Granted				
a. Actives Eligible to Retire	311,962	154,945,504	2,380,536	157,638,002
b. Other Actives	0	52,585,631	218,353,170	270,938,801
c. Total	$ 311,962	$ 207,531,135	$220,733,706	$428,576,803
6. Total Liabilities	**$14,630,579**	**$509,527,296**	**$222,480,406**	**$746,638,281**

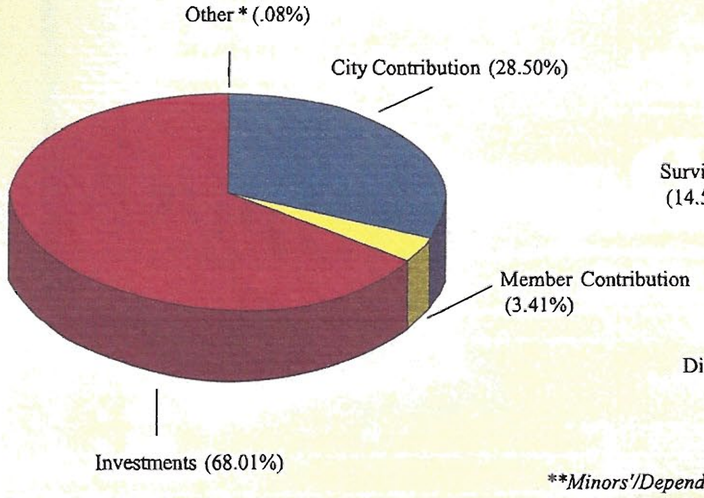
Department Budget

Department Budget

Receipts	Budgeted 1995-96	Actual 1995-96
Balance Available	$ 887,763	$ 0
City Contribution	342,710,618	343,201,618
Member Contributions	47,717,370	41,119,731
Earnings on Investments	232,000,000	264,381,508
Gain on Sale of Investments	--	554,600,825
UFLAC Settlement	--	500,000
Miscellaneous	450,000	471,948
Total Receipts	**$623,765,751**	**$1,204,275,630**

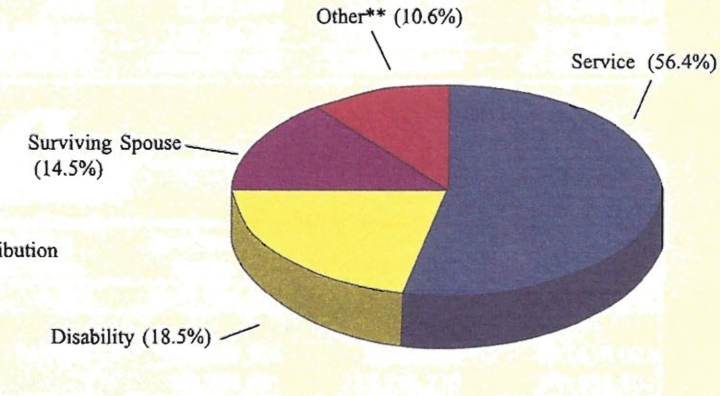
Expenditures	Budgeted 1995-96	Actual 1995-96
Service Pensions	$233,000,000	$227,891,959
Disability Pensions	76,500,000	74,806,632
Surviving Spouse Pensions	59,323,000	58,521,851
Minors'/Dependents' Pensions	1,150,000	1,047,926
Refund of Member Contributions	4,000,000	2,693,354
Medicare	1,955,000	1,788,557
Health Insurance Subsidy	19,276,000	14,843,433
Investment Management Expense	15,917,000	17,894,276
Administrative Expense	5,584,150	4,548,416
Total Expenditures	**$416,705,150**	**$404,036,404**
Increase in Fund Balance	**$207,060,601**	**$800,239,226**

RECEIPTS



UFLAC Settlement and Miscellaneous

EXPENDITURES



***Minors'/Dependents' Pensions, Refund of Member Contributions, Medicare, Health Insurance Subsidy, Investment Management Expense and Administrative Expense*

Auditors' Report

MANNON KAPLAN, C.P.A.
GEORGE NADEL RIVIN, C.P.A.
EDWIN KANEMARU, C.P.A.
KENNETH R. HOLMER, C.P.A.
DOUGLAS S. WAITE, C.P.A.
JAMES E. VEALE, C.P.A.
CHARLES SCHNAID, C.P.A.
DONALD G. GARRETT, C.P.A.
CATHERINE C. GARDNER, C.P.A.
RICHARD DEFRONZO, C.P.A.
JEFFREY S. SLOMIAK, C.P.A.

STANLEY L. MILLER, C.P.A. (1921-1995)
PAUL ARASE, C.P.A.*
JOSEPH C. CAHN, C.P.A.*
*RETIRED

Miller, Kaplan, Arase & Co.
CERTIFIED PUBLIC ACCOUNTANTS
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NORTH HOLLYWOOD, CALIFORNIA 91602-2278
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CERTIFIED PUBLIC ACCOUNTANTS
THE CALIFORNIA SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS
#95-2036255

Independent Auditors' Report

To the Board of Pension Commissioners of
the City of Los Angeles
Los Angeles, California

Members of the Board:

We have audited the accompanying balance sheets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 1996 and 1995, and the related statements of revenues, expenditures and changes in fund balance for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the City of Los Angeles Fire and Police Pension System as of June 30, 1996 and 1995, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles.

The financial statements as of June 30, for each of the years from 1987 through 1990 (none of which are presented here) were audited by other auditors whose report dated November 15, 1990 expressed a qualified opinion, based on the litigation discussed in Note 10 to those financial statements for each of the years from 1987 through 1988. This litigation was resolved and the resulting unfunded liability recorded in the financial statements beginning for the year ended June 30, 1989. In our opinion, except for the omission in years 1987 through 1988 of recording the unfunded liability discussed above and the inconsistency resulting from the effect of recording the unfunded actuarial liability of the health plan subsidy beginning in the year ended June 30, 1990, discussed in Note 2-G, the information set forth in the supplemental schedules for each of the ten years ended June 30, 1996, appearing on pages 13 through 16, is fairly stated, in all material respects, in relation to the financial statements from which it was derived.

Miller, Kaplan, Arase & Co.

MILLER, KAPLAN, ARASE & CO.

December 13, 1996

Exhibit A

City of Los Angeles Fire and Police Pension System

Balance Sheets

	JUNE 30, 1996		JUNE 30, 1995	
ASSETS				
CASH		$ 2,569,885		$ 699,970
RECEIVABLES				
Accrued Interest and Dividend Income	$ 41,705,871		$ 35,702,280	
Contributions	2,904,554		2,823,727	
Due from Brokers and Others	129,504,578		140,932,383	
Accrued Real Estate Income	904,447	175,019,450	578,226	180,036,616
INVESTMENTS				
Temporary, at Cost (Market Value of $334,110,131 in 1996 and $674,700,721 in 1995)	$ 334,086,002		674,700,721	
Bonds, at Amortized Cost (Market Value of $2,113,654,464 in 1996 and $1,743,045,872 in 1995)	2,132,848,716		1,711,728,766	
Common Stock, at Cost (Market Value of $4,299,885,207 in 1996 and $3,799,808,638 in 1995)	2,988,932,233		2,674,449,309	
Preferred Stock, at Cost (Market Value of $45,147,430 in 1996 and $64,569,431 in 1995)	45,292,638		54,615,553	
Real Estate, Including Real Estate Pools and Real Estate Corporations, at Cost (Market Value of $519,880,661 in 1996 and $417,903,858 in 1995)	470,674,530	5,971,834,119	396,738,657	5,512,233,006
TOTAL ASSETS		$6,149,423,454		$5,692,969,592
LIABILITIES				
Benefits in Process of Payment	$ 481,148		$ 635,659	
Accounts Payable	6,473,983		4,843,173	
Deferred Option Premiums (Market Value of $0 in 1996 and $94,769,735 in 1995)	0		51,514,980	
Due to Brokers and Others	124,657,856		420,470,658	
Mortgage Loans Payable--Note 8	14,404,784	146,017,771	14,555,762	492,020,232
NET ASSETS AVAILABLE FOR BENEFITS		$6,003,405,683		$5,200,949,360
FUND BALANCE				
Actuarial Present Value of Projected Benefits Payable to Current Retirants and Beneficiaries	$5,937,434,119		$5,880,402,052	
Actuarial Present Value of Credited Projected Benefits for Active Employees:				
Member Contributions	423,367,582		412,140,786	
Employer Financed Portion and Non-Refundable Member Contributions	2,213,531,923	$8,574,333,624	2,309,050,464	$8,601,593,302
Unfunded Actuarial Present Value of Credited Projected Benefits		(2,570,927,941)		(3,400,643,942)
TOTAL FUND BALANCE		$6,003,405,683		$5,200,949,360

Exhibit B

City of Los Angeles Fire and Police Pension System

Statements of Revenues, Expenditures and Changes in Fund Balance

	JUL 1, 1995 to JUN 30, 1996		JUL 1, 1994 to JUN 30, 1995	
REVENUES				
City Contributions	$ 343,201,618		$ 333,480,185	
Member Contributions	41,119,731		37,761,979	
Miscellaneous	471,948	$ 384,793,297	81,154	$ 371,323,318
Investment Income:				
Interest	$ 156,952,809		$ 142,846,401	
Dividends	78,292,449		78,718,044	
Real Estate Income	24,516,552		24,011,333	
Securities Lending Income - (See Note 5)	2,213,008		643,192	
Other	2,406,690	264,381,508	267,105	246,486,075
Investment Gains and Losses:				
Provision for Permanent Impairment of Bonds	($ 2,915,408)		($ 12,873,110)	
Provision for Permanent Impairment of Real Estate	(10,187,828)		(945,027)	
Net Gain on Sale of Investments	687,980,958		206,604,859	
Net (Loss) on Option Premiums	(120,276,897)	$ 554,600,825	(160,281,089)	32,505,633
TOTAL REVENUES		1,203,775,630		$ 650,315,026
EXPENDITURES				
Benefits Paid to Participants:				
Service	$ 227,891,959		$ 221,886,632	
Disability	74,806,632		72,217,694	
Surviving Spouses	58,521,851		56,296,404	
Minors and Dependents	1,047,926		894,856	
Health Plan Subsidy - (See Notes 2-G and 4)	16,631,991	$ 378,900,359	16,633,518	$ 367,929,104
Investment Manager Fees	$ 17,894,276		$ 11,810,130	
Administrative Expense	4,524,672	22,418,948	4,572,960	16,383,090
TOTAL EXPENDITURES		$ 401,319,307		$ 384,312,194
NET REVENUES		$ 802,456,323		$ 266,002,832
FUND BALANCE, BEGINNING		5,200,949,360		4,934,946,528
FUND BALANCE, ENDING		$6,003,405,683		$5,200,949,360

(Attached notes are an integral part of this statement)

City of Los Angeles Fire and Police Pension System
Notes to Financial Statements
June 30, 1996 and 1995

Note 1 -- Description of Plan

The City of Los Angeles Department of Pensions operates under provisions of the City Charter of the City of Los Angeles, which provides that the funding requirements of the City of Los Angeles Fire and Police Pension System (the System or the Plan), based on the results of actuarial valuation, will be satisfied by the City of Los Angeles. In addition, the City of Los Angeles is required to fund the administrative expenses of the System.

In general, the System is a defined benefit pension plan covering all firefighters, police officers, paramedics and civilian ambulance employees of the City of Los Angeles. Benefits are based on members' final compensation and terms of service. In addition, the Plan provides for disability benefits under certain conditions and benefits to eligible survivors. The System is composed of three groups. Those members hired prior to January 26, 1967 participate in the first established Department of Pensions (Old System under Article XVII) unless they requested transfer to the New Pension System (New System under Article XVIII) established for members hired on or after January 26, 1967. Members hired after December 8, 1980 participate in the Safety Members Pension Plan (under Article XXXV) which was established at that time.

Members with 20 or more years of service in the Old System and New System are entitled to annual pension benefits equal to 40% of their final compensation, increasing for each year of service over 20 years, to a maximum of 66-2/3 % in the Old System and 70% in the New System. There is no minimum age requirement. The Plans provide for unlimited cost-of-living adjustments in benefits. Members who terminate their employment after July 1, 1982 are entitled to a refund of contributions if they do not qualify for a pension or if they waive their pension entitlements. Members of the Safety Members Pension Plan must be age 50, with ten years of service, to be entitled to a pension. Benefits are equal to 20% of their one-year average compensation, increasing for each year of service over ten years, to a maximum of 70% for 30 years. Benefits are adjusted by the cost-of-living rate, at a maximum of 3% per year. These benefits can be adjusted by the City Council once every three years.

Since the Plan includes detailed provisions for each situation, members should refer to the Plan documents for more complete information.

Note 2 -- Summary of Significant Accounting Policies

A. Basis of Presentation. The System's financial statements are prepared on the accrual basis of accounting and presented in accordance with Statement No. 6, "Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers," of The National Council on Governmental Accounting. Contributions and other income are recorded when earned, expenses when incurred, and gain or loss on sales of investments in the year of disposition.

B. Cash. Cash consists primarily of an undivided interest in the cash held by the Treasurer of the City of Los Angeles.

C. Investments. The System is authorized to make temporary investments in instruments rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Commercial Paper Record or the equivalent as determined by the Custodian, Bankers Trust Company. Temporary investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, Treasury bills and repurchase agreements are carried at cost, which approximates market at June 30, 1996 and 1995.

Pooled temporary investments represent funds invested in a Custodian-managed discretionary short term investment fund. This fund invests in a variety of U.S. and foreign securities rated A-1 or P-1, or equivalent quality as determined by the Custodian.

Bonds are recorded at face value less unaccreted discount or plus unamortized premium. Bond premiums and discounts are amortized or accreted to the maturity date by adjusting the nominal interest rate to the yield basis upon which they were acquired.

Note 2 -- Summary of Significant Accounting Policies (Continued)

Common and preferred stocks are carried at their cost basis.

Real estate investments are accounted for on the equity method of accounting when there is an interest of 20% or greater. The cost method has been used for investments of less than 20%. Direct real estate investments are depreciated on a straight-line basis over the estimated useful lives of the properties.

Investments denominated in foreign currencies are translated to the U.S. dollar at the rate of exchange in effect at the balance sheet date. Resulting gains or losses are included in the statement of revenues, expenditures and changes in fund balance, if material.

The stated market value of securities investments is generally based on published market prices or quotations from major investment dealers. Real estate market values are taken from recent appraisals, when available, and from the reports of investment advisors. Market values reflected by reports of advisors are based on recent purchase prices, appraisals and on advisor estimates.

Investments are written down when management deems there is a permanent impairment of value, with resulting charges recognized in the statement of revenues, expenditures and changes in fund balance.

D. Income from Investments. The Charter of the City of Los Angeles provides that the rate of return from investments, exclusive of gains and losses, shall be credited to member contribution accounts.

E. Deferred Option Premiums. As allowed by the Charter of the City of Los Angeles, the System wrote covered call options. The deferred option premiums are stated in the accompanying balance sheets at cost. Income or loss on option transactions is reflected in current-year operations upon exercise, expiration, or other disposition of the options. As of November 30, 1995, the System discontinued the Deferred Option Premiums Program.

F. Repurchase Agreements. The System may enter into repurchase agreements with authorized banks and with broker-dealers registered under the Securities and Exchange Act of 1934, subject to the requirement that as collateral, the System receives securities that are direct obligations of or that are fully guaranteed as to principal and interest by the United States Government or any agency thereof; certificates of deposit, or eligible bankers' acceptances and other money market instruments rated A-1 and P-1, having a market value equal to not less than 100 percent of the amount of the repurchase agreement. Such collateral shall have been approved for direct purchase by the System.

At June 30, 1996 and 1995, the System had investments (at cost) in repurchase agreements of $50,000,000 and $-0-, respectively. The corresponding market value of these investments approximates cost.

G. Post-Retirement Benefits. Retired members currently receive a health plan subsidy. The amounts paid into this subsidy are charged to current year operations. Effective in the fiscal year ended June 30, 1990, the System recognized the unfunded actuarial liability of the health plan subsidy. The System's actuarial present value of projected benefits and unfunded actuarial liability includes the following amounts as of June 30, 1996 as a result of this change:

Actuarial Present Value of Projected Benefits Payable to Current Retirants and Beneficiaries	$318,061,478
Actuarial Present Value of Credited Projected Benefits for Active Employees	$428,576,803
Actuarial Present Value of Unfunded Actuarial Accrued Liability	$343,548,936

Note 3 -- Estimated Liability for Pensions

Change in Asset Valuation Method

In prior valuations, the system's actuaries used a method that averages the book and market values of investments at the valuation date in order to smooth fluctuations in the actuarial value of assets. The new standards, statements No. 25 and 26 issued by the Government Accounting Standards Board (GASB), which become effective for the year ending June 30, 1997 requires that "the actuarial value of plan assets generally should be market related" and that changes in market value be recognized over a period of years. In its actuarial valuation as of June 30, 1996, the System's actuaries changed the asset valuation method to one that phases in, over five years, the unrealized and realized appreciation above that which is expected based upon the assumed rate of return. The method is in compliance with the new GASB standards. This method produces an actuarial value of assets that is 1.8% higher than under the prior method, for Articles XVII, XVIII and XXXV. The increased actuarial value of assets will cause a decrease in the City of Los Angeles' contribution for both pension and

Note 3 -- Estimated Liability for Pensions (Continued)

health subsidy benefits. The contribution for pension benefits for all articles combined will decrease for the fiscal year June 30, 1997 0.674% of total payroll. The contribution for health subsidy benefits for all articles combined will also decrease by 0.107% of total payroll.

The estimated liability for pensions reflects the liabilities as determined by the System's actuaries based upon actuarial valuations as of June 30, 1996 and 1995. Such liabilities represent computed amounts that, if such amounts were held by the System, with additions from future contributions to be received to cover normal costs and with interest on investments compounded annually at a certain assumed rate, would be sufficient to meet the projected pension obligations. The valuation results for fiscal years ending June 30, 1996 and 1995 were based on demographic assumptions adopted as a result of studies of System experience made as of June 30, 1995. The most significant economic and actuarial assumptions for fiscal years 1996 and 1995 consist of the following:

	June 30, 1996		June 30, 1995	
	Pension System	Health Subsidy	Pension System	Health Subsidy
Investment Return	8.5%	8.5%	8.5%	8.5%
Annual Salary Scale Increase:				
Individually	Varies by Age	Varies by Age	6.5%	6.5%
Age:				
Under 25	10.0%	10.0%	6.5%	6.5%
25-29	9.0%	9.0%	6.5%	6.5%
30-34	8.0%	8.0%	6.5%	6.5%
35-39	7.0%	7.0%	6.5%	6.5%
40-44	6.0%	6.0%	6.5%	6.5%
45-49	5.7%	5.7%	6.5%	6.5%
50 and Over	5.5%	5.5%	6.5%	6.5%
Aggregate	5.5%	5.5%	5.5%	5.5%
Annual Cost-of-Living Increase:				
Old System and New System Members:				
Accrued for Service Prior to June 30, 1982	5.5%	--	5.5%	--
Accrued for All Subsequent Service (Subject to Any Applicable Caps)	5.5%	--	5.5%	--
Safety Members Pension Plan Members	3.0%	--	3.0%	--
Graded Medical Cost Rate Increases:				
Pre-65 Premiums	--	9.0%	--	10.5%*
Post-65 Premiums	--	8.5%	--	9.5%*

**Decreasing gradually to 6.5% in 2007 and beyond.*

Mortality Among Retirees --The valuation for those on service retirement is based upon the 1994 Group Annuity Mortality Table. The valuation for those on disability retirement is based upon the 1984 Pension Benefits Guarantee Corporation's Disabled Life Mortality Table for males not receiving Social Security.

Mortality Among Spouses --The valuation is based upon the 1994 Group Annuity Mortality Table.

Remarriage Among Spouses -- Expected rates of remarriage were developed during the last actuarial investigation based upon actual experience of the System.

Note 4 -- Funding Policy

As a condition of participation, members are required to contribute a percentage of their salaries to the System. The System's actuaries, in their reports as of June 30, 1996 and 1995, recommended that New System members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% of salary. Old System members are required by the City Charter to contribute 6% of salary. Safety Members Pension Plan members are required to contribute 8% of salary.

The Charter of the City of Los Angeles specifies that the City will make the following contributions each year:

A. An amount equal to the City's share of defined entry-age normal costs.

B. For New System members and Old System members, a dollar amount or percentage necessary to amortize the "unfunded liability" of the System over a 70-year period, beginning with the fiscal year commencing July 1, 1967. Under the Safety Members Pension Plan, any "unfunded liability" of that System shall be amortized over a 30-year period, and actuarial experience gains and losses shall be amortized over a 15-year period.

C. An amount to provide for health plan subsidies for retired members.

D. An amount to provide for administrative expenses.

Accordingly, the actuaries for the System have determined the contributions for items A., B. and C. above, for the years ended June 30, 1996 and 1995, to be as follows:

	Percentage of Members' Salaries					
	Old System (Article XVII)		New System (Article XVIII)		Safety Members Pension Plan (Article XXXV)	
	1996	1995	1996	1995	1996	1995
Entry-Age Normal Cost Contribution	20.03%	18.94%	27.6%	26.5%	14.9%	14.6%
Amortization of Unfunded Liability	$38.4M	$40.9M	20.2%	20.6%	(1.3%)	(1.6%)
Health Plan Subsidy	$1.6M*	$1.8M*	$30.1M*	$29.3M*	$14.74M*	$13.9M*

**Stated as required dollar amount.*

The actuarially determined unfunded liability of the System is $2,570,927,941 at June 30, 1996 and $3,400,643,942 at June 30, 1995 (which takes into account the present values of future normal cost contributions by both the members and the City). In accordance with the City charter, the amount at June 30, 1996 is to be amortized over the next 41 years** through contributions to be made by the City.

***Amoritzation to be completed by year 2037.*

Contributions totaling $384,321,349 ($343,201,618 City and $41,119,731 member) were made during the period ending June 30, 1996 with respect to the pension plan and health plan subsidy, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 1996. These contributions consisted, for the aggregate pension plans, of approximately $171,400,000 normal cost and $166,500,000 amoritzation of the unfunded actuarial accrued liability. For the health plan subsidy, they consisted of approximately $19,000,000 normal cost and $27,400,000 amortization of the unfunded actuarial accrued liability.

Note 5 -- Securities Lending

The System has entered into various short-term arrangements whereby investments are loaned to certain brokers, as selected by the Custodian. The lending arrangements are collateralized by cash, letters of credits and marketable securities, held on the System's behalf by the Custodian. These agreements provide for the return of the investments and for a payment of: a) a fee when the collateral is marketable securities or letters of credit, or b) interest earned when the collateral is cash on deposit. Securities on loan to brokers continue to be shown at their cost basis in the balance sheet. Amounts outstanding at June 30, 1996 and 1995 are as follows:

	1996	1995
Securities on Loan:		
Cost	$512,991,321	$264,651,334
Market	$532,843,864	$290,179,453
Collateral (Market)	$550,056,857	$298,701,119

Note 6 -- Contingencies

A. Termination Rights. All members who were active on or after July 1, 1982 have a vested right to their past contributions and accrued interest in the event of their termination prior to retirement. The dollar amounts of the contributions and interest subject to this right at June 30, 1996 and 1995 are $423,367,582 and $412,140,786, respectively.

B. Investment Commitment. During the year ending June 30, 1993, the System had entered into a commitment to invest $25,000,000 in the Equitable Real Estate California Community Mortgage Fund (real estate investment pool). As of June 30, 1996, the System had funded $3,435,041 of this commitment leaving an unfunded balance of $21,564,959.

Note 7 -- Sub-Investment Grade Bonds

At June 30, 1996 and 1995, the System had investments (at cost) in bonds rated below investment grade of approximately $314,052,759 and $231,580,987, respectively. The corresponding market values of these investments at these dates were $298,787,997 and $228,748,118, respectively.

Note 8 -- Mortgage Loans Payable

The mortgage loans payable consist of the following at June 30:

	1996	1995
9.5% mortgage loan, secured by Park Plaza Community Center, San Pedro, California, payable in monthly installments of interest only through October 1, 1991 and monthly installments of $50,450 (including interest) from November 1, 1991 until October 1, 1996 when the remaining balance of approximately $5,825,000 is payable.	$5,793,124	$5,845,446
Mortgage loan payable to Nationwide Life Insurance Company secured by Randall's Center, Houston, Texas. The loan is due January 1, 1997 (maturity date may be extended to January 1, 2002 if maker agrees to modification of loan rate on January 1, 1997) and bears interest at 8.0% per annum. The loan is being amortized over 30 years with monthly payments of principal and interest in the amount of $65,993. The remaining principal balance is due upon maturity.	$8,611,660	$8,710,316
TOTALS	**$14,404,784**	**$14,555,762**

Maturities of the mortgage loans payable are as follows for years ending June 30:

1997 .... **$14,404,784**

Note 9 -- Governmental Accounting Standards Board (GASB) Investment Categories

The System's investments in securities are categorized below, in accordance with categories established by the GASB, to give an indication of relative custodial credit risk assumed at year-end. Investments in real estate represent non-categorized investments under GASB guidelines. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, their trust departments or agents, but not in the System's name.

At June 30, 1996 and 1995, the carrying value and market value of categorized investments were as follows (in thousands):

	CATEGORY 1			
	1996		1995	
	Cost	Market Value	Cost	Market Value
Investments (Excluding Real Estate and Short Term Pooled Investment Fund)	$5,351,072	$6,642,709	$4,508,736	$5,675,367

	CATEGORY 3			
	1996		1995	
	Cost	Market Value	Cost	Market Value
Investments in Short Term Pooled Investment Fund	$150,088	$150,088	$606,758	$606,758

Investments presented in Category 3 represent the System's investment in a pooled short term investment fund managed by the Custodian, which also performs safekeeping of the pool's securities (Note 2-C).

Note 10 -- 3% Cap on Cost of Living Adjustments

A lawsuit filed by the Los Angeles Police Protective League challenged the legality of a proposition that was approved by the electorate of the City of Los Angeles in regard to a 3% cap on cost-of-living adjustments for years of service subsequent to July 1, 1982. At the trial of this action, the lower court ruled on April 2, 1987 that the 3% cap is invalid and unenforceable. In addition, provisions in the Charter providing for a proration method of calculating the cost-of-living adjustment for the first year of retirement were ruled invalid and unenforceable. On April 26, 1989, the Court of Appeals affirmed the trial court's judgement, and the Supreme Court of California denied the City's petition for review of the decision. The resulting unfunded liability of $390.7 million was recorded in the financial statements for the year ended June 30, 1989.

Note 11 -- Implementation of New Accounting Standards

In 1995, the Governmental Accounting Standards Board (GASB) issued Statements No. 25 and 26. The required implementation date for both new standards is for periods beginning after June 15, 1996. GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans" requires state and local government pension plans to change from reporting plan investments at cost or amortized cost to reporting at fair value. It will end the plans' current practice of reporting actuarial reserves or an actuarial measure of the pension benefit obligation in the equity section of a balance sheet. Statement No. 25 streamlines the note disclosure previously required under GASB Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers", which the new statements supersede.

GASB Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans," supplements Statement No. 25 by providing interim guidance on how defined benefit pension plans should report postemployment health care assets and benefits pending completion of the GASB's project on other postemployment benefits (OPEB). It requires separate financial statements and disclosures for postemployment health care net assets and changes in net assets, similar to the requirements of Statement No. 25 for pension plan assets.

It is presently expected that the System will implement the two standards effective with the fiscal year ending June 30, 1997.

SUPPLEMENTAL SCHEDULES
Ten Years Ended June 30, 1996

SCHEDULE 1

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Credited Projected Benefits Ten Years Ended June 30, 1996

Fiscal Year	Net Assets Available For Benefits	Actuarial Present Value of Credited Projected Benefits	Percentage
1987	$ 2,368,521,855	$ 5,528,317,604	42.8%
1988	2,640,268,285	6,041,104,311	43.7%
1989	2,931,185,321	6,545,712,937	44.8%
1990	3,352,121,428	7,612,299,952	44.0%
1991	3,655,613,306	7,936,245,505	46.1%
1992	4,074,388,555	8,287,995,552	49.2%
1993	4,454,855,424	8,347,331,654	53.4%
1994	4,934,946,528	8,700,390,692	56.7%
1995	5,200,949,360	8,601,593,302	60.5%
1996	6,003,405,683	8,574,333,624	70.0%

SCHEDULE 2

Comparative Summary of Unfunded Actuarial Present Value of Credited Projected Benefits and Annual Active Member Payroll Ten Years Ended June 30, 1996

Fiscal Year	Unfunded Actuarial Present Value of Credited Projected Benefits	Annual Active Member Payroll	Percentage
1987	$3,159,795,749	$436,695,521	724%
1988	$3,400,836,026	$463,699,299	733%
1989	$3,614,527,616	$500,958,345	722%
1990	$4,260,178,524	$543,798,208	783%
1991	$4,280,632,199	$565,741,407	757%
1992	$4,213,606,997	$573,922,249	734%
1993	$3,892,476,230	$562,672,803	692%
1994	$3,765,444,164	$554,626,744	679%
1995	$3,400,643,942	$599,843,631	567%
1996	$2,570,927,941	$655,783,107	392%

NOTE: Each time an employer entity adopts a higher level of benefits, additional actuarial liabilities are created. When the City of Los Angeles Fire and Police Pension System (LAFPPS) receives actuarially determined contributions, these additional actuarial liabilities are financed systematically over a period of future years.

Considering the dollar amount of the actuarial present value of credited projected benefits, or the unfunded portion thereof, can be misleading. Analysis of (i) the ratio of net assets available for benefits to the total actuarial present value

SCHEDULE 2 (Continued)

of credited projected benefits and (ii) the ratio of the unfunded actuarial present value of credited projected benefits to annual active member payroll provides indexed values that facilitate understanding.

Analysis of these indexed values over a period of years will give an indication of whether LAFPPS is becoming financially stronger or weaker. The greater the ratio of net assets available for benefits to the total actuarial present value of credited projected benefits, the stronger the fund. Similarly, the smaller the ratio of the unfunded actuarial present value of credited projected benefits to annual active member payroll, the stronger the fund.

An unfunded liability of $390.7 million was recorded in the financial statements for the year ended June 30, 1989 as a result of the judgement discussed in Note 10 of the financial statements.

Effective in the fiscal year ended June 30, 1990, the System has reflected the unfunded actuarial liability of the health plan subsidy. For years prior to 1990, the unfunded liability of the health plan subsidy was not calculated by the System and accordingly is not reflected in 1989 and prior balances. The portion of the unfunded actuarial present value of credited projected benefits relating to the health plan subsidy is $343,548,936 at June 30,1996.

SCHEDULE 3

Comparative Summary of Actuarial Values and Percentage Covered by Net Assets Available for Benefits and Actuarial Present Value of Credited Projected Benefits
Ten Years Ended June 30, 1996

Fiscal Year	Refundable Member Contributions	Current Retirements and Benefit - Beneficiaries	Employer Financed Portion and Non-Refundable Member Contributions	Total Credited Projected Benefits	Net Assets Available for Benefits	Percentage of Actuarial Values Covered by Net Assets Available for Benefits		
	(1)	(2)	(3)			(1)	(2)	(3)
						%	%	%
1987	$278,158,306	$3,585,310,055	$1,664,849,243	$5,528,317,604	$2,368,521,855	100	58.3	--
1988	$309,141,052	$3,732,366,082	$1,999,597,177	$6,041,104,311	$2,640,268,285	100	62.5	--
1989	$343,574,821	$4,011,107,369	$2,191,030,747	$6,545,712,937	$2,931,185,321	100	64.5	--
1990	$381,844,824	$4,696,731,246	$2,533,723,882	$7,612,299,952	$3,352,121,428	100	63.2	--
1991	$395,323,917	$4,949,613,686	$2,591,307,902	$7,936,245,505	$3,655,613,306	100	65.9	--
1992	$392,854,640	$5,374,385,161	$2,520,755,751	$8,287,995,552	$4,074,388,555	100	68.5	--
1993	$398,593,280	$5,693,300,421	$2,255,437,953	$8,347,331,654	$4,454,855,424	100	71.2	--
1994	$404,512,295	$5,803,960,484	$2,491,917,913	$8,700,390,692	$4,934,946,528	100	78.1	--
1995	$412,140,786	$5,880,402,052	$2,309,050,464	$8,601,593,302	$5,200,949,360	100	81.4	--
1996	$423,367,582	$5,937,434,119	$2,213,531,923	$8,574,333,624	$6,003,405,683	100	94.0	--

NOTE: The ultimate test of financial soundness is the LAFPPS' ability to pay all promised benefits when due. The LAFPPS' progress in accumulating assets to pay all promised benefits can be measured by comparing the present net assets of the LAFPPS with (1) refundable member contributions, (2) the actuarial present value of projected benefits payable to current retirants and beneficiaries, and (3) employer financed and non-refundable member contributions. The total refundable member contributions (1) are fully covered by the present net assets and, as LAFPPS is funded on the basis of actuarial valuation, the portion of actuarially computed values should continue to increase over time, first covering (2) and then (3). An increase in benefits can, of course, adversely affect the trends in the years in which such increased benefits are first reflected in the actuarial values.

SCHEDULE 4

Comparative Summary of Revenues by Source,
Expenditures by Type and Investment Unrealized Gain (Loss)
Ten Years Ended June 30, 1996

REVENUES BY SOURCE

Fiscal Year	Member Contributions	City Contributions	Investment Income	Other Income	Net Investment Gains And (Losses)	Total
1987	$28,777,189	$ 272,025,075	$ 137,228,988	$ 253,457	$ 184,943,717	$ 623,228,426
1988	30,103,457	279,786,608	160,804,657	372,810	42,879,639	513,947,171
1989	31,815,226	288,289,760	181,731,474	415,304	49,021,052	551,272,816
1990	34,883,307	316,429,364	196,594,472	325,103	156,285,319	704,517,565
1991	37,820,348	340,843,137	203,075,656	392,329	28,635,421	610,766,891
1992	39,874,823	337,710,888	215,005,118	811,477	154,362,404	747,764,710
1993	38,003,158	322,506,222	213,286,412	424,867	157,379,338	731,599,997
1994	36,483,381	331,770,487	210,695,996	442,277	274,971,129	854,363,270
1995	37,761,979	333,480,185	246,486,075	81,154	32,505,633	650,315,026
1996	41,119,731	343,201,618	264,381,508	471,948	554,600,825	1,203,775,630

EXPENDITURES BY TYPE

Fiscal Year	Benefits	Administrative Expense	Total
1987	$ 223,609,320	$ 6,260,085	$ 229,869,405
1988	234,459,564	7,741,177	242,200,741
1989	249,354,746	11,001,034	260,355,780
1990	270,034,003	13,547,455	283,581,458
1991	292,041,725	15,233,288	307,275,013
1992	313,437,294	15,552,137	328,989,431
1993	335,700,849	15,432,279	351,133,128
1994	356,742,594	17,529,572	374,272,166
1995	367,929,104	16,383,090	384,312,194
1996	378,900,359	22,418,948	401,319,307

INVESTMENT UNREALIZED GAIN (LOSS)

Fiscal Year	Temporary And Bonds	Common Stock And Options	Preferred Stock	Real Estate	Total Net Appreciation in Carry Value Over Market Value	Annual Net Increase (Decrease) in Appreciation in Market Value
1987	$ (7,499,497)	$ 359,777,295	$ (128,673)	$ -	$ 352,149,125	$ (5,032,237)
1988	(12,282,616)	168,100,277	928,206	1,149,769	157,895,636	(194,253,489)
1989	6,907,514	360,927,931	1,972,033	2,650,199	372,457,677	214,562,041
1990	(2,405,304)	430,956,036	319,349	4,256,937	433,127,018	60,669,341
1991	8,005,000	381,934,488	(770,512)	(9,774,567)	379,394,409	(53,732,609)
1992	41,874,403	551,762,374	6,901,166	(40,153,676)	560,384,267	180,989,858
1993	76,127,374	826,513,492	7,811,075	(14,199,756)	896,252,185	335,867,918
1994	(70,036,999)	682,660,252	9,843,402	(8,873,273)	613,593,382	(282,658,803)
1995	31,317,106	1,082,104,574	9,953,878	21,165,201	1,144,540,759	530,947,377
1996	(19,170,123)	1,310,952,974	(145,208)	49,206,131	1,340,843,774	196,303,015

Active and Retired Membership

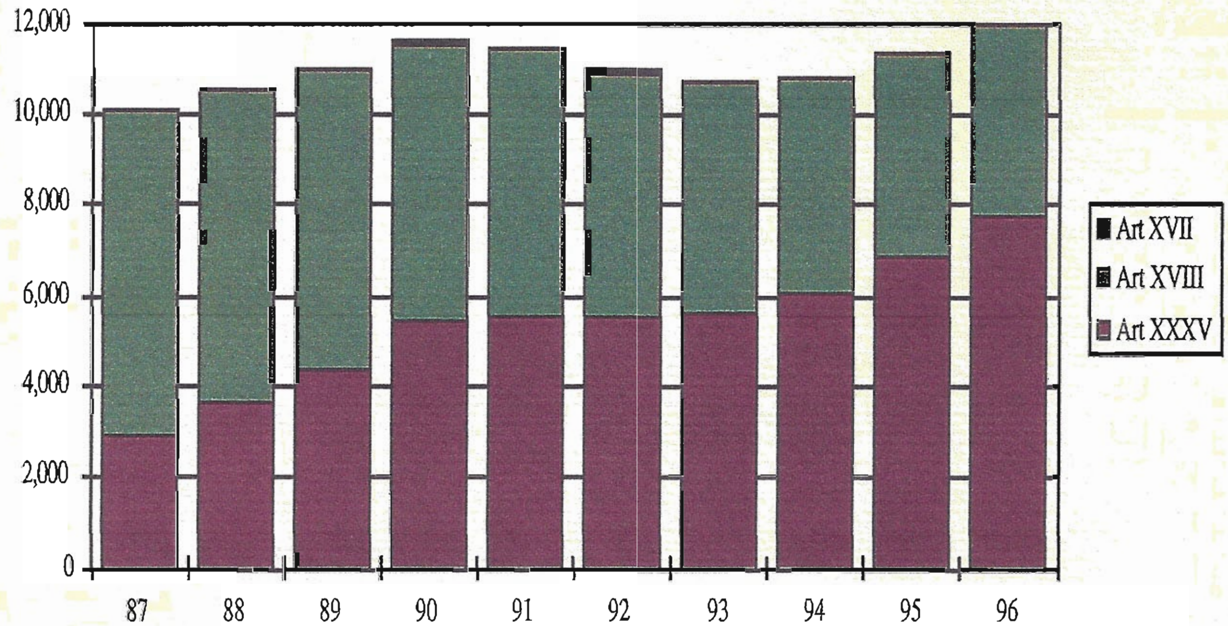
POLICE AND FIRE PENSION SYSTEMS

Three Pension Systems

There are currently three pension systems in operation serving active and retired membership. **The Fire and Police Pension System (Article XVII)** was established under the Charter in 1925. In 1967, this plan was extensively amended, resulting in the creation of **The New Pension System (Article XVIII).** Members of the Article XVII plan were given the option to transfer into this plan.

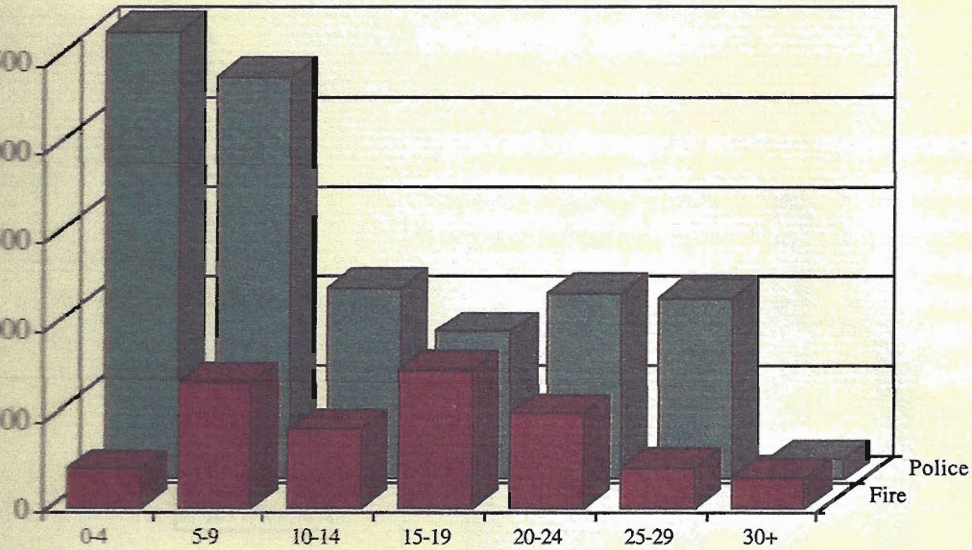
In 1980, the benefits of the system were again extensively revised. This resulted in the creation of **The Safety Members Pension Plan (Article XXXV)**. All members hired on December 8, 1980 and later become members of this plan.

ACTIVE MEMBERSHIP
Last Ten Years



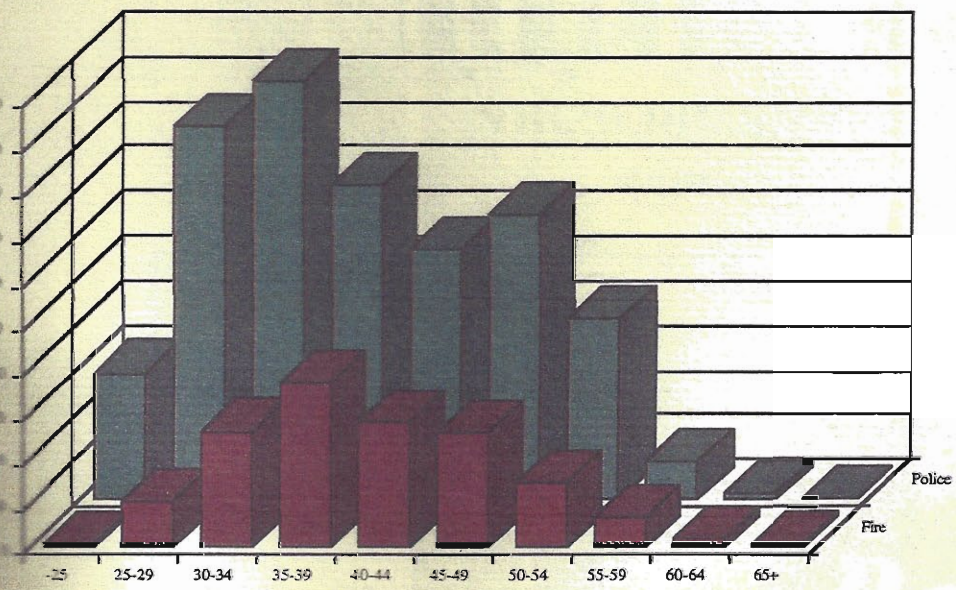
MEMBERSHIP AS OF JUNE 30, 1996			
Article	**Fire**	**Police**	**Total**
XVII	**1**	**5**	**6**
XVIII	**1,423**	**2,807**	**4,230**
XXXV	**1,611**	**6,103**	**7,714**
TOTAL	**3,035**	**8,915**	**11,950**

ACTIVE MEMBERSHIP
By Years of Service



Years	Fire	Police
0-4	217	2,615
5-9	697	2,254
10-14	441	1,066
15-19	769	820
20-24	523	1,041
25-29	220	1,009
30+	168	110
Total	3,035	8,915

ACTIVE MEMBERSHIP
By Age Group



Age	Fire	Police
-25	17	568
25-29	207	1,667
30-34	521	1,870
35-39	738	1,412
40-44	560	1,125
45-49	512	1,270
50-54	294	811
55-59	137	165
60-64	39	25
65+	10	2
Total	3,035	8,915

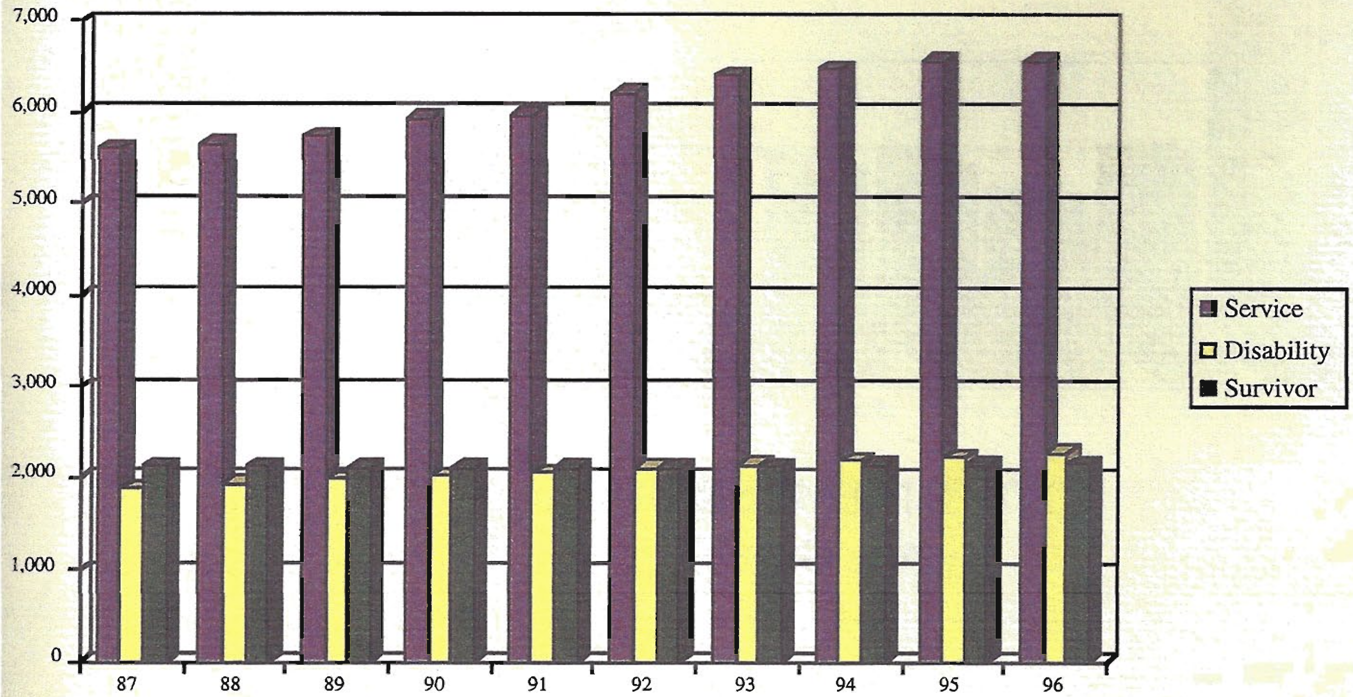
REFUNDS OF MEMBER CONTRIBUTIONS

	94-95	95-96
FIRE		
Article XVIII	1	0
Article XXXV	16	23
POLICE		
Article XVIII	7	4
Article XXXV	154	144
TOTAL	178	171

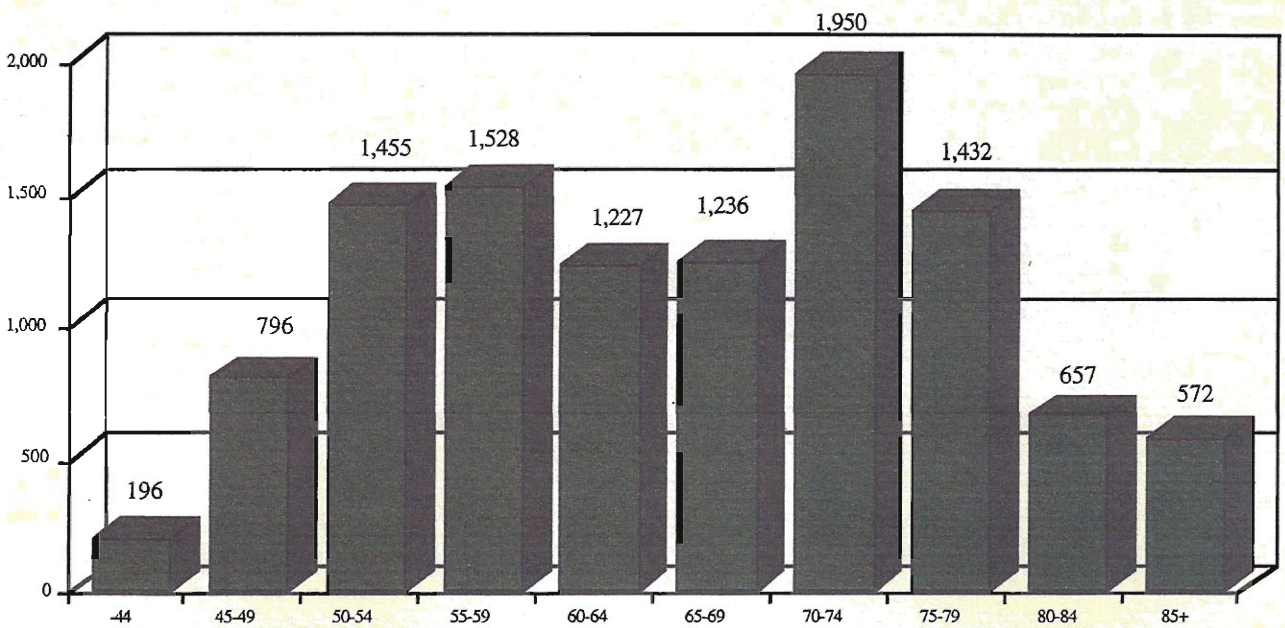
This chart shows the number of members who have applied for a refund of their Pension contributions.

RETIRED MEMBERSHIP
Last Ten Years

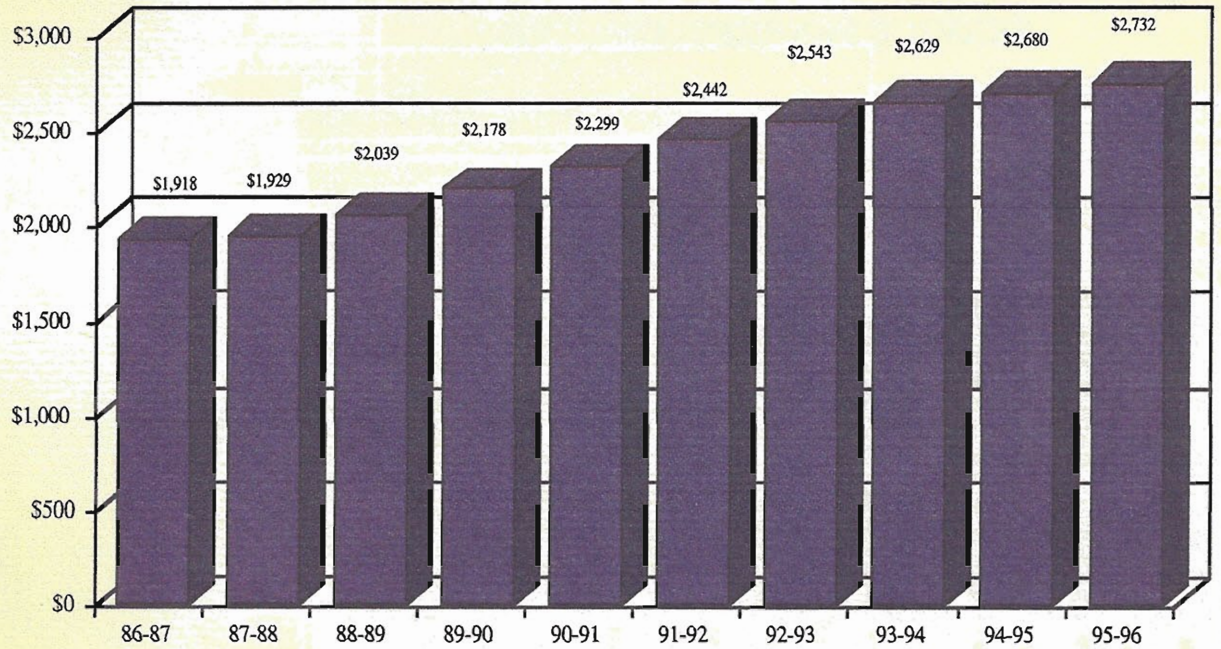
AS OF JUNE 30, 1996	
Service Pensions	6,563
Disability Pensions	2,285
Survivor Pensions	2,201
Total	11,049



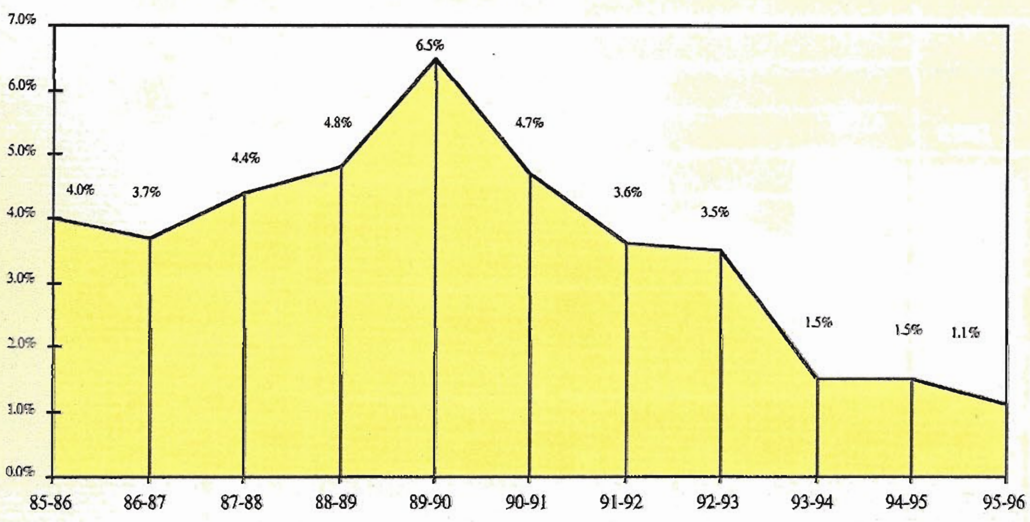
RETIRED MEMBERSHIP
By Age Group



AVERAGE MONTHLY PENSION



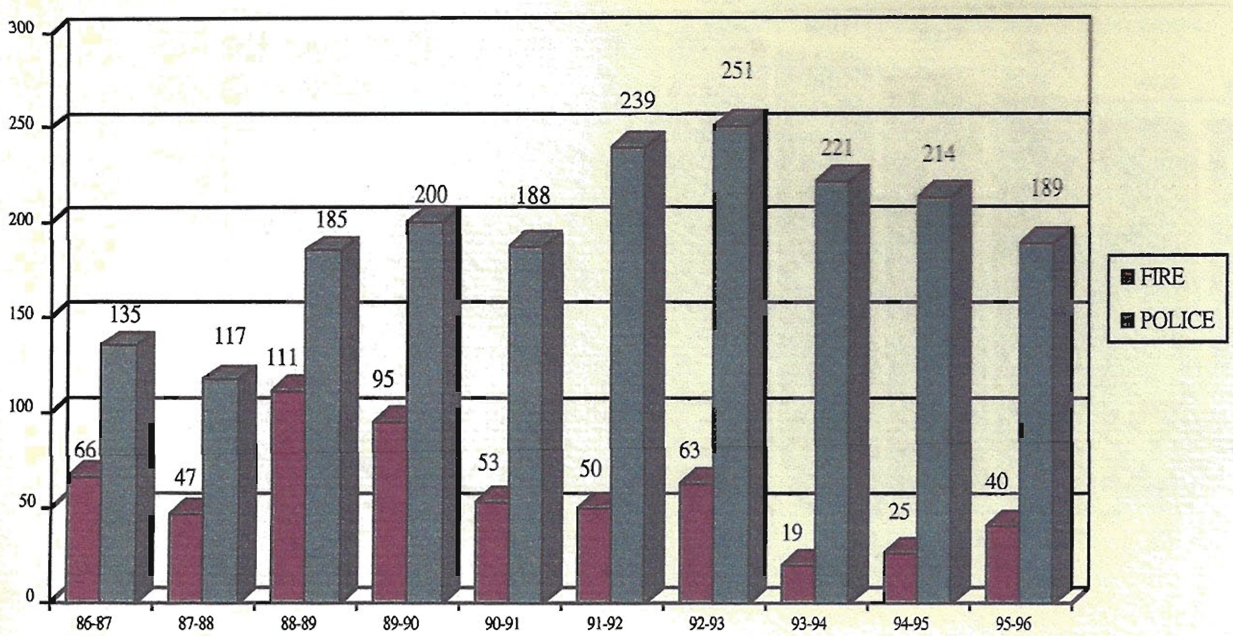
COST OF LIVING ADJUSTMENTS
Effective July 1



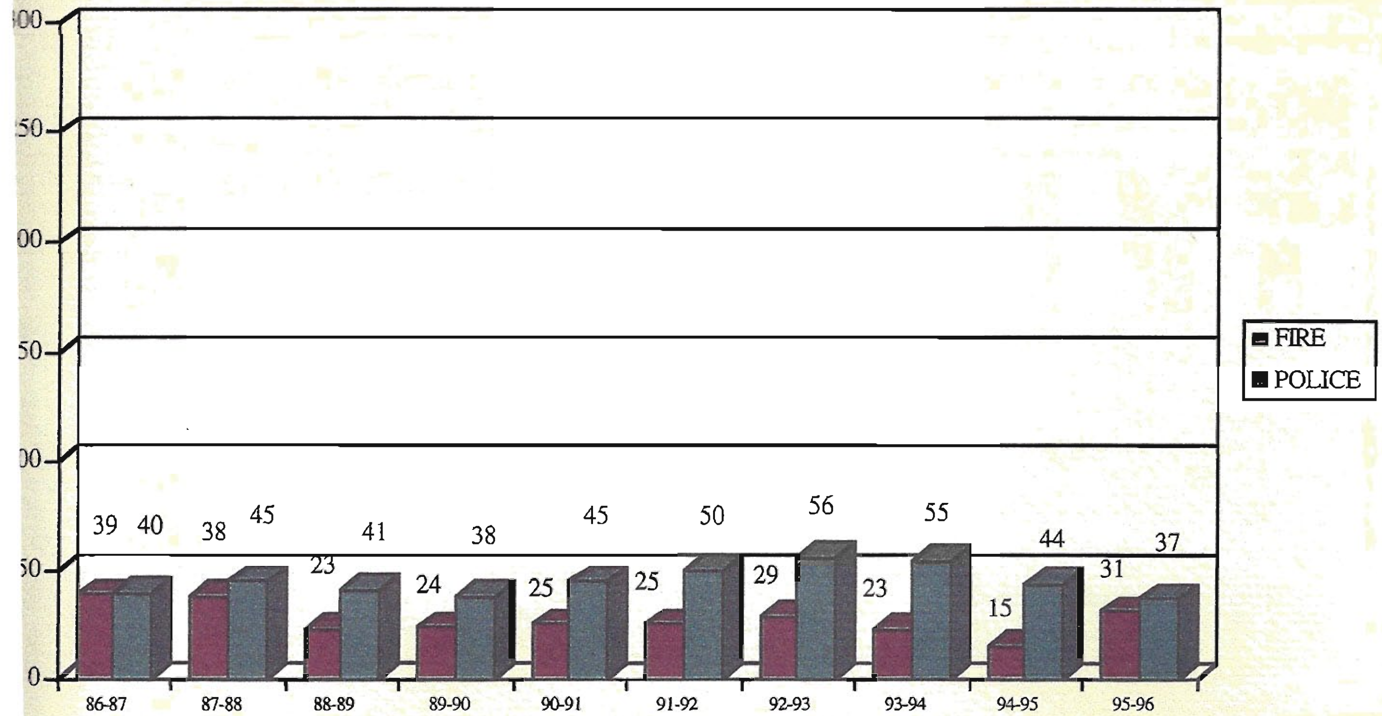
Cost of living adjustments are made to eligible pensions each July 1, based on the movement of the consumer price index for the greater Los Angeles area from March 1 of the preceding year to March 1 of that year. Members of the Safety Members Pension Plan (Article XXXV) have cost of living increases capped at 3%. The City Council can provide for a discretionary cost of living increase above the 3% cap once every 3 years. Members of Articles XVII and XVIII have no cap on their cost of living adjustments.

PENSION STATISTICS: LAST TEN YEARS

SERVICE PENSIONS GRANTED

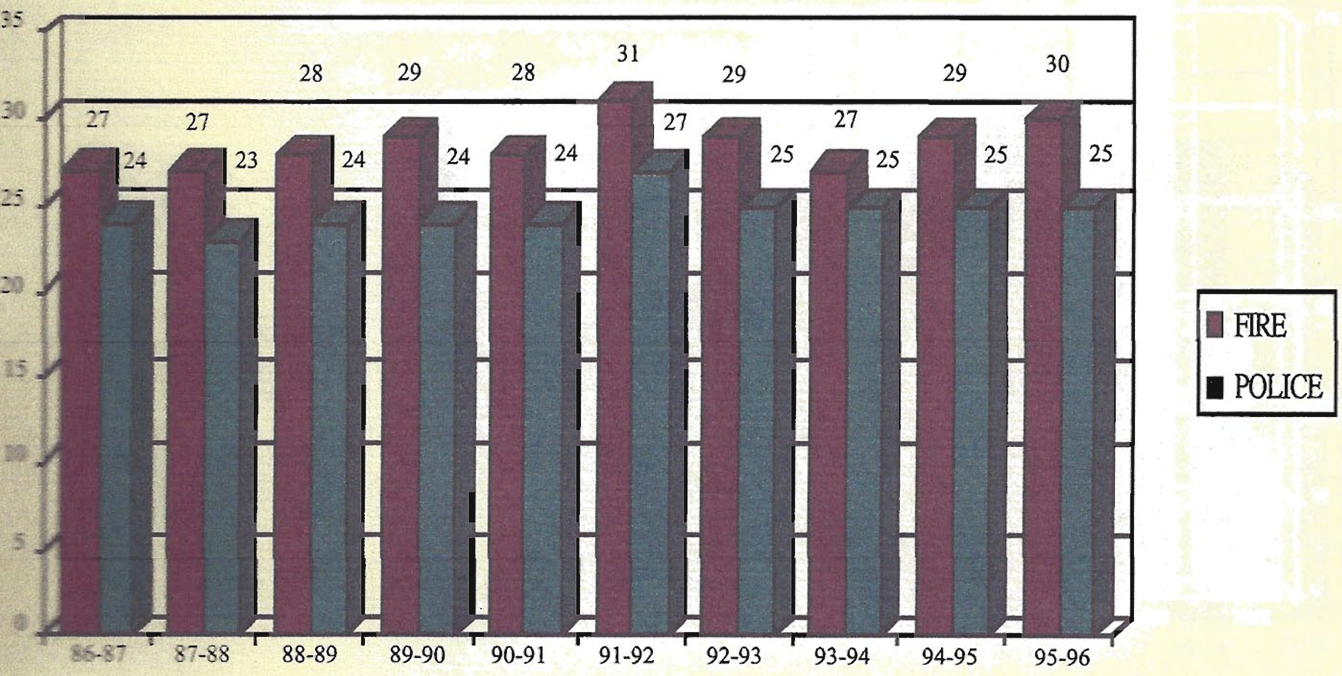


DISABILITY PENSIONS GRANTED

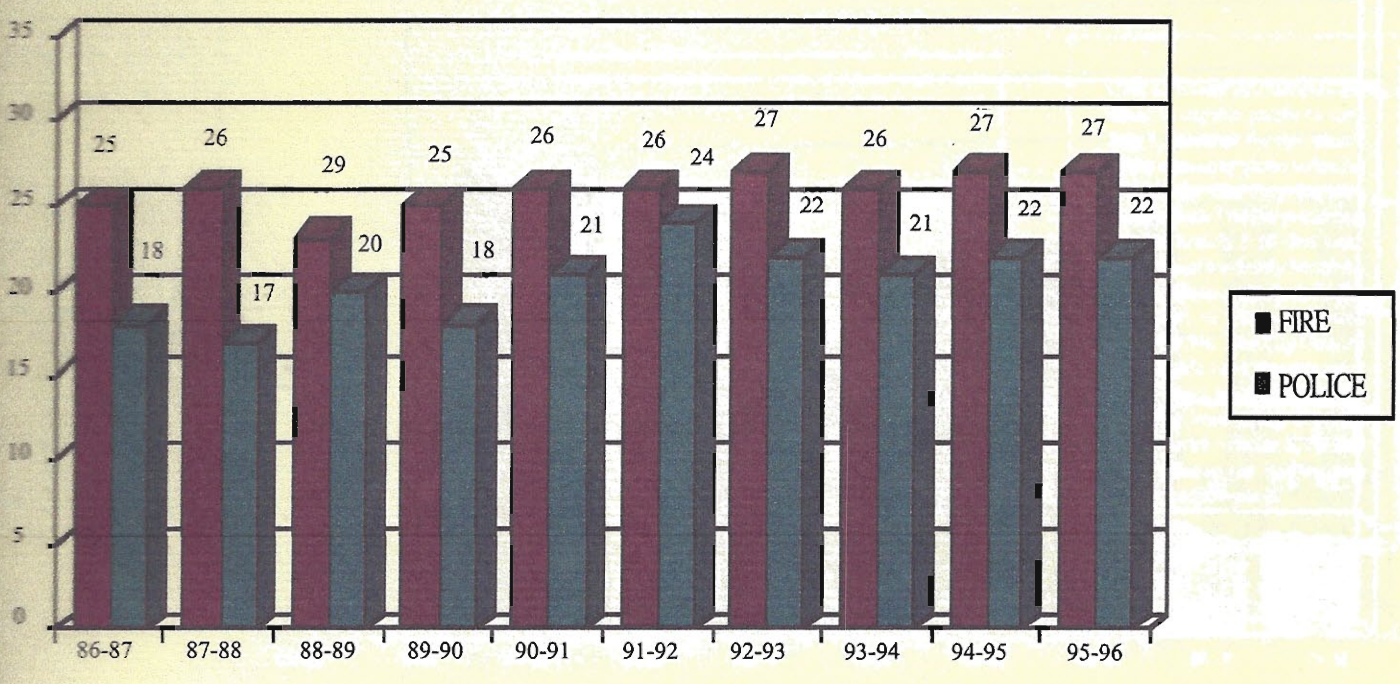


PENSION STATISTICS: LAST TEN YEARS

YEARS OF SERVICE
At Service Retirement

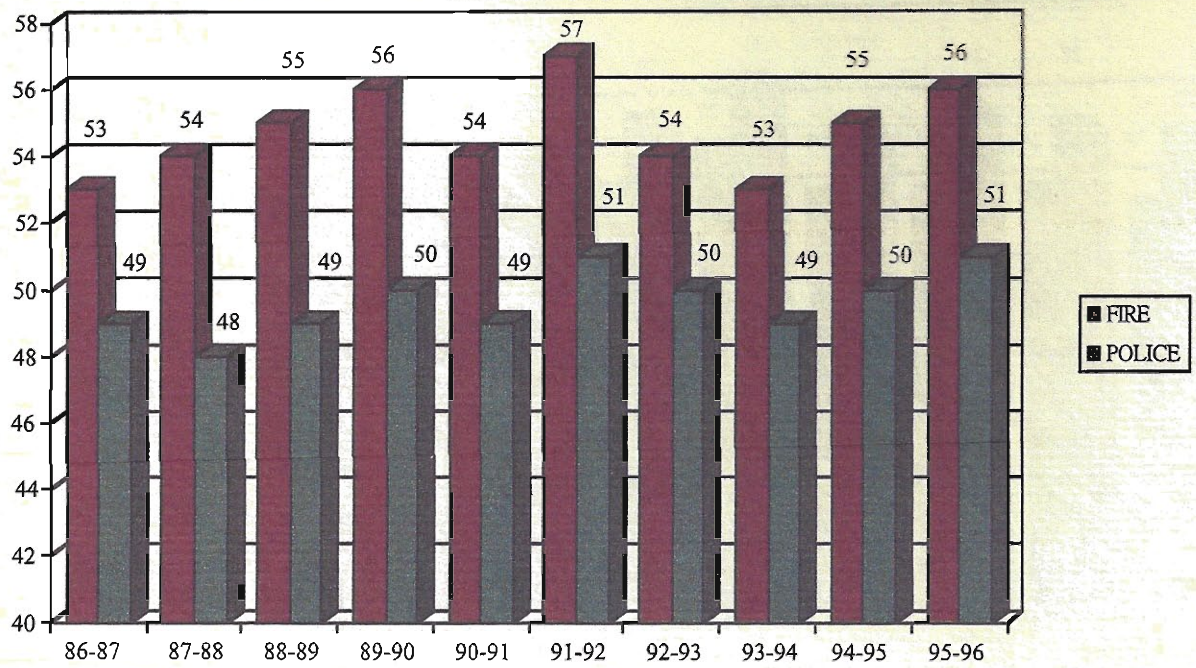


YEARS OF SERVICE
At Disability Retirement

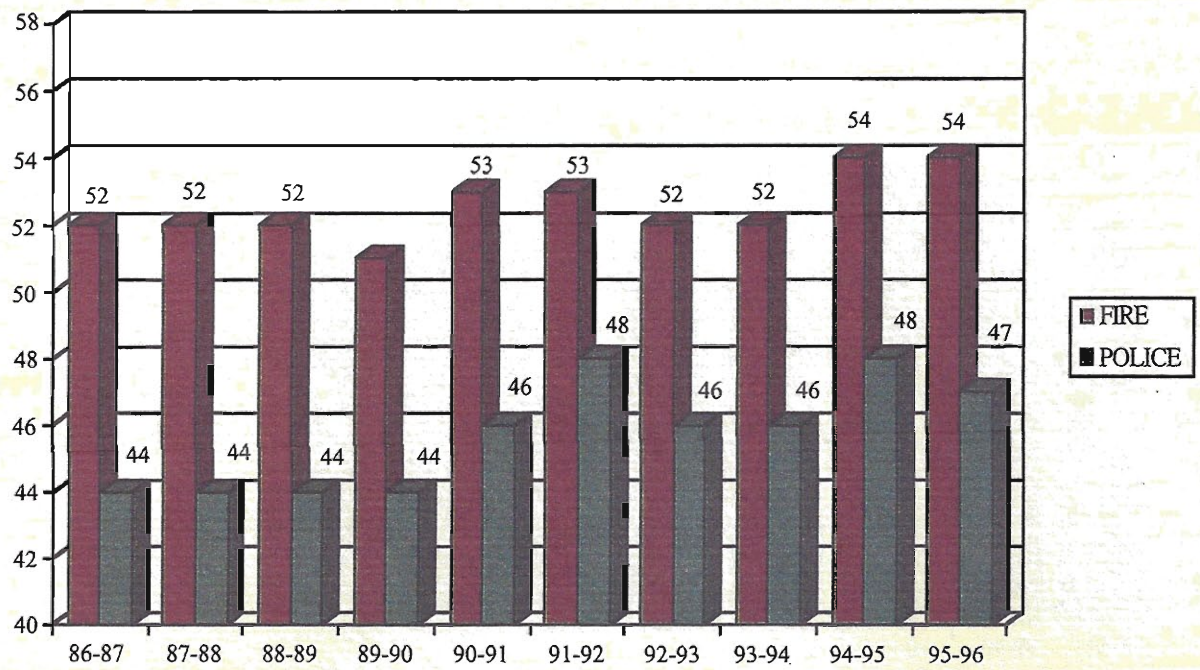


PENSION STATISTICS: LAST TEN YEARS

AVERAGE AGE
At Service Retirement



AVERAGE AGE
At Disability Retirement



SERVICE-CONNECTED DISABILITY PENSIONS
By Type and Department

DISABILITY PENSIONS GRANTED	FISCAL YEAR 1991-92			FISCAL YEAR 1992-93			FISCAL YEAR 1993-94			FISCAL YEAR 1994-95			FISCAL YEAR 1995-96		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Physical Only	24	43	67	27	43	70	23	48	71	12	33	45	29	23	52
Physical/Psychiatric	1	6	7	2	11	13	0	6	6	3	10	13	2	9	11
Psychiatric Only	0	1	1	0	2	2	0	1	1	0	1	1	0	2	2
TOTAL	25	50	75	29	56	85	23	55	78	15	44	59	31	34	65

TYPES OF CLAIMS*	FISCAL YEAR 1991-92			FISCAL YEAR 1992-93			FISCAL YEAR 1993-94			FISCAL YEAR 1994-95			FISCAL YEAR 1995-96		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Back	19	31	50	17	20	37	17	29	46	5	11	16	15	9	24
Neck	1	7	8	4	5	9	3	14	17	1	5	6	5	9	14
Knees	11	8	19	8	6	14	9	9	18	3	5	8	9	5	14
Other Orthopedic	6	10	16	8	14	22	8	17	25	4	16	20	20	9	29
Heart Attack	7	16	23	8	15	23	6	9	15	5	17	22	5	3	8
Ulcer	0	2	2	0	3	3	0	2	2	0	1	1	0	0	0
Hypertension	0	12	12	1	10	11	1	14	15	1	10	11	3	3	6
Hearing Loss	1	2	3	3	1	4	3	3	6	1	4	5	2	0	2
Pulmonary	1	2	3	2	4	6	2	0	2	2	3	5	1	0	1
Cancer	0	0	0	1	1	2	0	0	0	0	0	0	0	0	0
Gun Shot Wound	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0
HIV/AIDS	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0

**Will not equal the total number of disability pensions granted due to multiple claimed disabilities.*

SERVICE AND NONSERVICE-CONNECTED DISABILITY RETIREMENTS
By Department and Rank

POLICE	91-92	92-93	93-94	94-95	95-96
Police Officer	16	24	25	18	22
Sergeant	15	4	8	12	5
Detective	19	22	17	10	9
Lieutenant	3	5	5	3	0
Captain	1	1	0	2	0
Commander	0	1	0	1	0
Deputy Chief	0	0	0	0	1
Assistant Chief	0	0	0	0	0
TOTAL	54	57	55	46	37

FIRE	91-92	92-93	93-94	94-95	95-96
Paramedic	1	6	**	**	**
Firefighter	6	10	9	6	7
Apparatus Operator	0	0	1	0	1
Engineer	4	5	1	1	2
Inspector	3	1	0	0	1
Captain	10	7	9	6	15
Battalion Chief	1	0	3	0	5
Assistant Chief	0	0	0	1	0
Deputy Chief	0	1	0	1	0
TOTAL	25	30	23	15	31

***Rank merged with Firefighter.*

Legal Summary

SUMMARY OF LEGAL ACTIVITIES

General Pension Litigation in Fiscal Year 1995-1996

The City Attorney's Office has been involved in various legal matters during this reporting period. Presented below are summaries of some of the more notable matters handled by the City Attorney for the Board of Pension Commissioners.

City of Los Angeles v. Wells Fargo Bank, N.A., Estate of James Robert Burke, et. al.

This lawsuit has been reported in the previous annual report. The matter entails a fraudulent scheme in which the nephew (James R. Burke) of a deceased police widow (Evelyn Burke) was paid in excess of $330,000 in pension benefits over a period of thirteen years. Outside counsel was retained to assist the City Attorney since this matter was required to be filed in Santa Rosa, California.

The City Attorney's Office has worked closely with outside counsel in handling depositions and in opposing a summary judgement/adjudication motion brought by the Wells Fargo Bank. During this period the hearing on the summary judgement motion is pending.

FAMILY LAW MATTERS

The Board of Pension Commissioners is joined as a party claimant in over 900 marriage dissolution proceedings. New joinders are added at a rate of approximately two each week. The employee spouse's City pension is often the largest asset in the parties' marital property. Consequently, the City Attorney's Office is required to interact daily with family law practitioners to ensure that dissolution judgments are compatible with the pensions provisions of the City Charter. The City Attorney's Office occasionally makes appearances in Family Law Courts when attorneys and parties are reluctant to accept the provisions of the Charter as they relate to the division of pension benefits.

WRITS OF MANDATE

These cases are challenges by individual system members who feel aggrieved by Board decisions relative to their disability pension applications. The following cases were handled during this reporting period.

Thomas Chiarenza v. Board of Pension Commissioners, et. al.

The Petition for Writ of Mandate was denied in Superior Court on December 11, 1995. No appeal was filed.

George Coger v. Board of Pension Commissioners, et. al.

The Petition for Writ of Mandate was denied in Superior court on February 27, 1996. No appeal was filed.

Betty J. Courtney-Greene v. Board of Pension Commissioners et. al.

The Petition for Writ of Mandate was denied in Superior Court on March 12, 1996. The matter is pending on appeal.

PENSION BENEFIT CHANGES

The City Attorney's Office drafted a charter amendment to be placed on the November 1996 ballot which would alter the definition of a qualified surviving spouse so that such a spouse would not lose his or her pension benefit upon remarriage.

Summary of Pension Plan Benefits

Fire and Police Pension Plan (Article XVII)
(Closed January 28, 1967)

The New Pension System (Article XVIII)
(Closed December 7, 1980)

Safety Members Pension Plan (Article XXXV)

SUMMARY OF PENSION PLAN BENEFITS

	Article XVII	Article XVIII	Article XXXV
1. SERVICE RETIREMENT			
a. Eligibility	20 years of service.	20 years of service.	Age 50 with 10 yrs. of service.
b. Salary Base	Final Salary rate.	Final Salary rate.	One-year average salary.
c. Pension as a percentage of salary base	40% at 20 years of service, plus 2% for each additional year up to 25 years of service, plus 1-2/3% for each additional year between 25 and 35 years of service. Maximum of 66- 2/3% for 35 or more years of service.	40% at 20 years of service, plus 2% for each additional year up to 25 years of service. 55% at 25 years of service, plus 3% for each additional year between 25 and 30 years of service. Maximum of 70% for 30 or more years of service.	2% per year of service up to 20 years of service, plus 3% for each additional year of service up to 30 years of service. Maximum of 70% for 30 or more years of service.
2. SERVICE-CONNECTED DISABILITY			
a. Eligibility	No age or service conditions.	No age or service conditions.	No age or service conditions.
b. Salary Base	Final salary rate.	Final salary rate.	One-year average salary.
c. Pension as a percentage of salary base	50% to 90% depending on severity of disability, with a minimum of any service pension available.	50% to 90% depending on severity of disability, with a minimum of any service pension available.	30% to 90% depending on severity of disability, with a minimum of 2% per year of service.
3. NONSERVICE-CONNECTED DISABILITY			
a. Eligibility	Five years of service.	Five years of service.	Five years of service.
b. Salary Base	Final salary rate for highest-paid police officer's or firefighter's rank.	Final salary rate for highest-paid police officer's or firefighter's rank.	One-year average of Member's own salary.
c. Pension as a percentage of salary base	40%	40%	30% to 50% depending on severity of disability.
4. SERVICE-CONNECTED DEATH OR DEATH AFTER SERVICE-CONNECTED DISABILITY			
a. Eligibility	No age or service conditions for Member.	No age or service conditions for Member.	No age or service conditions for Member.
b. Salary Base	Final salary rate.	Final salary rate.	One-year average salary.
c. Eligible spouse's benefit as a percentage of salary base	50% Pension stops upon remarriage.	50% with less than 25 years of service. 55% with 25 or more years of service. Pension stops upon remarriage.	75% if service-connected death or death after being disabled less than 3 years; otherwise 60% of Member's disability pension. Pension stops upon remarriage.
d. Children's benefit as a percentage of spouse's benefit	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 (age 22 if in school) unless child is disabled before age 21.
e. Dependent parent's benefit as a percentage of spouse's benefit	100% if spouse or children not receiving.	100% if spouse or children not receiving.	100% if spouse or children not receiving.

SUMMARY OF PENSION PLAN BENEFITS

	Article XVII	Article XVIII	Article XXXV
5. DEATH WHILE ELIGIBLE FOR SERVICE RETIREMENT OR DEATH AFTER SERVICE RETIREMENT			
a. Eligibility	20 years of service.	20 years of service.	Age 50 with 10 years of service.
b. Eligible spouse's benefit	100% of Member's accrued service retirement not to exceed 50% of final salary rate. Pensions stops upon remarriage.	100% of Member's accrued service retirement, not to exceed 55% of final salary rate. Pensions stops upon remarriage.	60% of Member's accrued service retirement. Pensions stops upon remarriage.
c. Children's benefit as a percentage of spouse's benefit.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.
d. Dependent parent's benefit as a percentage of spouse's benefit.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.
6. NONSERVICE-CONNECTED DEATH OR DEATH AFTER NONSERVICE-CONNECTED DISABILITY			
a. Eligibility	Five years of service.	Five years of service.	Five years of service.
b. Eligible spouse's benefit	40% of final salary rate for highest-paid police officer's or firefighter's rank. Pensions stops upon remarriage.	40% of highest salary and highest length of service pay for basic rank of firefighter or police officer. Pensions stops upon remarriage.	For nonservice-connected death: 30% of final one-year average salary or, if eligible for service retirement, 80% of accrued service retirement not to exceed 40% of final one-year average salary. For death after non-service-connected disability: 60% of Member's pension. Pensions stops upon remarriage.
c. Children's benefit as a percentage of spouse's benefit	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if child not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches 18 (age 22 if in school) unless child is disabled before age 21.
d. Dependent parent's benefit as a percentage of spouse's benefit.	100% if spouse or children not receiving.	100% if spouse or children not receiving.	100% if spouse or children not receiving.
7. COST-OF-LIVING			
a. Generally applicable provisions	Current Plan Provision: Full annual cost-of-living increase. Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers in the Los Angeles, Anaheim and Riverside area.	Current Plan Provision: Full annual cost-of-living increase. Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers in the Los Angeles, Anaheim and Riverside area.	Current Plan Provision: Annual cost-of-living increase not to exceed 3%. Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers in the Los Angeles, Anaheim and Riverside area.

SUMMARY OF PENSION PLAN BENEFITS

	Article XVII	Article XVIII	Article XXXV
7. COST-OF-LIVING (Continued)			
a. Generally applicable provisions (cont'd)	Survivors' pension includes the percentage of cost-of-living increases applied to the Member's pension prior to death.	Survivors' pension includes the percentage of cost-of-living increases applied to the Member's pension prior to death.	City Council may grant discretionary cost-of-living increases once every three years. Survivors' pension include the percentage of cost-of-living increases applied to the Member's pension prior to death. Pro rata adjustment in the first year of retirement.
b. Effective date of cost of living increases i. Service retirement.	Annual increases commence on the July 1 following the later of the effective date or the date the Member would have been age 55.	Annual increases commence on the July 1 following the later of the effective date of pension or the date the Member would have completed 25 years of service.	Same provisions for all types of pensions. Annual increases commence on the July 1 following the effective date of pension.
ii. Service-connected disability, service-connected death.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date of pension.	
iii. Nonservice-connected disability.	Annual increases commence on the July 1 following the date the Member would have been age 55 or 5 years after the effective date of the pension, if earlier.	Annual increases commence on the July 1 following the date the Member would have had 25 years of service or 5 years after the effective date of the member's pension if earlier.	
iv. Nonservice-connected death, nonservice-connected death while eligible for service retirement.	Annual increases commence on the July 1 following the date the Member would have been age 55 or 5 years after the effective date of the pension if earlier.	Annual increases commence on the July 1 following the date the Member would have had 26 years of service or 5 years after the effective date of the survivors' pension if earlier.	
v. Death after nonservice-connected disability, death after service-connected disability, death after service pension.	Annual increases commence the on the July 1 following the date Member would have been age 55 or 5 years after the effective date of the pension if earlier.	Annual increases commence on the July 1 following the date the Member would have had 26 years of service or 5 years after the effective date of the Member's pension if earlier.	
8. MEMBERS' CONTRIBUTIONS AS AN ANNUAL PERCENTAGE OF PAY			
	6% No Member contributions required after thirty years of service.	6% plus 1/2 cost of cost-of-living benefit up to 1%. No Member contributions required after thirty years of service.	8% No Member contributions required after thirty years of service.

SUMMARY OF PENSION PLAN BENEFITS

	Article XVII	Article XVIII	Article XXXV
9. MISCELLANEOUS			
a. Vesting of service retirement	After 20 years of service.	After 20 years of service.	After 10 years of service.
b. Return of contributions with interest.	On termination or death if no other benefits are payable.	On termination or death if no other benefits are payable.	On termination or death if no other benefits are payable (except basic death benefit).
c. Basic death benefit.	None.	None.	In addition to return of contributions, beneficiary receives one-year average salary times years of completed service (not to exceed 6).
d. Optional forms of benefit.	None.	None.	At service or disability retirement, Member may elect higher death benefit with corresponding actuarial reduction of retirement benefit.

Milestones

MILESTONES

1899-1901. The California State Legislature enacted legislation in 1899 that enabled cities and counties to establish pension systems for police officers and firefighters. The City of Los Angeles authorized a system for police officers effective June 7, 1899 and for firefighters effective June 10, 1901. It provided for a pension at age 60 after 20 years of service, at an amount of one-half of the salary of the rank held for one year preceding retirement. Disability and survivor benefits were also provided. Member contributions were set at $2 per month.

1911-1919. In 1911 a charter amendment empowered the City Council to make changes in the pension systems. Effective September 16, 1913, the Council adopted an ordinance that reduced the minimum retirement age to 55 and eliminated member contributions. In 1919, ordinances were adopted allowing retirement after 20 years of service regardless of age.

1922. Fire and police pension plans were merged into one system.

1923-1925. The pension system was placed on an actuarial basis effective January 29, 1923 and a provision was added increasing pensions for members with more than 20 years of service, based on a formula of 1-2/3% for each year of service over 20 up to two-thirds of the salary of the rank held at retirement. The new City Charter which became effective July 1, 1925 added a provision that service and disability pensions would remain fixed amounts.

1927. Members entering service after January 17, 1927 would receive a pension after 25 years of service equal to 50% of the average salary during the three years preceding retirement, plus 1-2/3% for each of the next 10 years of service. A monthly limit of $1,800 for service pensions was established. Member contributions to the system were set at 4% of salary. Pensions for widows were made fixed amounts.

1933. The actuarial requirements were eliminated and the system was placed on a "pay-as-you-go" basis effective May 15, 1933.

1947. Members hired after January 17, 1947 could retire after 20 years of service with a pension equal to 40% of the average salary of the last three years of service with an additional 2% for each of the next five years of service and 1-1/3% for each of the next ten years of service. A maximum pension of two-thirds of the average salary was retained, with a cap based on the salary level of a police captain or fire battalion chief. Member contributions were increased from 4% to 6% of salary. Effective June 16, 1947, a Charter amendment created a non-service disability pension of 40% of the highest salary attached to the rank of firefighter or police officer; an equal amount was to be paid to any surviving spouse with additional percentages allowed for unmarried minor children under the age of 18.

1957. The maximum limit attached to rank for service pensions was removed effective April 18, 1957.

1958. The California Supreme Court ruled that the 1928 Charter provisions for fixed pension did not apply to members employed prior to July 1, 1925 or to surviving spouses of members employed prior to January 17, 1927.

1959. Effective May 6, 1959, the system was again placed on an actuarial basis with a 50-year amortization period for the unfunded liabilities. Investment provisions were changed to permit investment of up to 35% of the fund assets in common stocks.

1961. A one time cost-of-living increase was provided for all member or surviving spouse pensions based on service-connected disability or death.

1967. Article XVII was extensively amended, and a New Pension system (Article XVIII) adopted effective January 29, 1967 provided:

(1) a pension equal to 55% of annual salary at retirement with 25 years of service plus an additional 3% for each year of service over 25 up to a maximum pension of 70% of salary at retirement with 30 years of service;

(2) a 2% cap to the annual cost-of-living adjustment to all member and surviving spouse pensions that were based on length of service;

(3) a minimum pension of $250 per month to be adjusted each year by the cost-of-living formula;

(4) an extension of the amortization period for the unfunded liability to seventy years, and

(5) changes in the investment authority to provide for mortgage investments and public improvement financing.

1968. Overtime compensation was excluded from computation of contributions and benefits under Articles XVII and XVIII.

1969. Amendments to Articles XVII and XVIII effective May 2, 1969 applied cost-of-living adjustments to disability and survivor pensions. Service pensioners were allowed to apply for return to active duty under certain conditions and restrictions. The authorized limit for common stock investments was raised to 50% of fund assets.

1971. Articles XVII and XVIII were amended effective July 1, 1971, to remove the 2% per year cost-of-living ceiling from all eligible pensions and pegged increases to the Consumer Price Index; to increase the minimum pension to $350 per month; to grant pension credit for partial years of service; and to add two elected employee members to the Board of Pension Commissioners.

1974. Articles XVII and XVIII amendments enabled the City Council to adopt ordinances providing subsidy payments for health insurance and other programs for eligible pensioners.

1975. Amendments to Articles XVII and XVIII allowed cost-of-living adjustments for service-connected disability pensions upon the July 1st following the date of retirement. Certain waiting periods for those eligible to receive this adjustment were eliminated.

1976. The health insurance subsidy ordinance was amended effective September 30, 1976 to include the spouse and dependents of eligible members.

1977. The mandatory retirement age provision of Article XVII was eliminated effective April 15, 1977.

1980. Article XXXV, The Safety Members' Pension Plan, was created effective December 8, 1980. It provided for a pension at age 50 with 10 years of service based on a formula of 2% per year of service up to 20 years and 3% for each additional year up to a maximum pension of 70% of annual salary at retirement; refund of member contributions with interest upon termination; and a surviving spouse pension equal to 60% of member's pension.

1981. Extensive revisions to the investment provisions of the Charter provided for:

(1) the investment of up to 70% of fund assets in common stock and up to 25% of the 70% without dividend record and registration on a national securities exchange;

(2) the investment of 35% of fund assets in short term securities;

(3) the appointment of a securities custodian bank;

(4) a requirement to retain investment advisors registered under the Investment Advisor Act;

(5) the selling and repurchasing of covered call options, and

(6) authority to conduct transactions and exchanges of securities without specific prior Board approval, within established guidelines.

1982. Significant revisions to Articles XVII and XVIII provided a 3% cap on the cost-of-living adjustment for all future service earned by active members and a refund of member contributions upon termination. Cost-of-living adjustments were prorated for the first year of retirement. Paramedics and civilian ambulance drivers were transferred from the City Employees' Retirement System to the Safety Members Pension Plan (Article XXXV).

1983. Article XVII and XVIII active members were no longer required to contribute to the pension system upon completion of thirty years of service.

1984. The City Charter was amended to permit banks and insurance companies to act as investment advisors to the plan.

1985. Authority was extended to include investment in real estate by all City of Los Angeles pension systems.

1990. A series of measures were enacted which hired before December 8, 1980 who die in the line of duty.

The 3% cap on cost-of-living increases instituted in 1982 for Article XVII and XVIII members was overturned by court order.

1993. The Board of Pension Commissioners was given authority to increase investments under the "prudent person" provisions of the Charter from 25% to 50%. Retired Article XVIII members may be recalled for up to one year after retirement.

1995. The amount of salary to be used to calculate pension benefits was capped at $150,000 (adjusted annually) for members hired on or after July 1, 1996. The City Council was authorized to enact ordinances required to maintain the tax-qualified status of Article XXXV under federal law.

1996. In January 1996, a new federal law prohibited states from taxing retirement income of nonresidents earned while working or residing in that state.

City of Los Angeles

Department of Pensions
Fire and Police Pension Systems